This Listing Statement is compiled by the Exchange from documents filed by the Company in making application for listing. It is issued for the information of members, member firms and member corporations of the Exchange. It is not and is not to be construed as a prospectus. The Exchange has received no consideration in connection with the issue of this Listing Statement other than the customary listing fee. The documents referred to above are open for inspection at the general office of the Exchange.

LISTING STATEMENT NO. 2396.

LISTED SEPTEMBER 12, 1969.
10,000,000 Common shares with a par value of $1.00.
All of which are issued and outstanding.
Stock Symbol "KSR".
Post Section 6.6.
Dial Quotation No. 2302.

file

# THE TORONTO STOCK EXCHANGE

## LISTING STATEMENT

# KAISER RESOURCES LTD.

Incorporated under the laws of the Province of British Columbia by Memorandum and Articles of Association filed with the Registrar of Companies on July 31, 1967.

COMMON SHARES WITH A NOMINAL OR PAR VALUE OF $1 EACH
(transferable at Vancouver, Calgary, Winnipeg, Toronto and Montreal)

CAPITALIZATION AS AT JULY 21, 1969

| SHARE CAPITAL | AUTHORIZED | ISSUED AND OUTSTANDING | TO BE LISTED |
|---|---|---|---|
| Common shares with a nominal or par value of $1 each | 15,000,000 | 10,000,000 | 10,000,000 |
| LONG-TERM DEBT | | | |
| Term bank loans .... .... .... .... .... | $35,000,000 | 0 | — |
| Standby bank credit .... .... .... .... .... | $15,000,000 | 0 | — |

August 26, 1969

1. APPLICATION

KAISER RESOURCES LTD. (the "Company") hereby makes application for the listing on The Toronto Stock Exchange of 10,000,000 common shares with a nominal or par value of $1 each in the capital stock of the Company, all of which have been issued and are outstanding as fully paid and non-assessable.

2. REFERENCE TO PROSPECTUS

Reference is made to the attached copy of the Prospectus of the Company dated June 27, 1969, with respect to the offering for sale of 2,500,000 common shares with a nominal or par value of $1 each in the capital stock of the Company (the "Prospectus"). A copy of the Prospectus is hereby incorporated in and made part of this application.

3. HISTORY AND NATURE OF BUSINESS

Reference is made to pages 3 to 12 of the Prospectus under the headings "The Company", "Coal", "Markets" and "Business of the Company" for particulars of the history of the Company and the nature of its business.

4. INCORPORATION

Reference is made to page 3 of the Prospectus under the heading "The Company" for particulars of the incorporation, amendments to Memorandum and Articles of Association and change in capitalization.

5. COMMON SHARES ISSUED SINCE INCORPORATION

| Date of Issue | Number of Shares Issued | Realized Per Share | Total Amount Realized | Purpose of Issue |
|---|---|---|---|---|
| Sept. 1, 1967 | 10,000 | $ 1.00 | $ 10,000 | Issuance of shares to incorporators and initial subscription for capital by Kaiser Steel Corporation |
| Feb. 29, 1968 | 1,000,000 | $17.40 (approx.) | $17,400,761 [representing the market value at date of acquisition of 351,351 common shares of Kaiser Steel Corporation (after giving effect to a 3 for 2 stock split in March, 1968)] | To acquire shares of Kaiser Steel Corporation for transfer to Crows Nest Industries as part consideration for purchase of coal properties (See "The Property" on page 7 of the Prospectus) |
| Apr. 28, 1969 | 6,490,000 | $ 3.79 (approx.) | $24,589,239 | To finance the Company's mine development program |
| July 21, 1969 | 2,500,000 | $11.20 | $28,000,000 | See "Use of Proceeds" on page 3 of the Prospectus |

6. SHARE PROVISIONS

The holders of common shares with a par value of $1 each are entitled to receive pro rata such dividends as may from time to time be declared by the board of directors, are entitled to one vote per share, and are entitled upon liquidation to receive such assets of the Company as are distributable to the shareholders.

7. DIVIDEND RECORD

The Company to date has paid no dividends on any of its common shares.

8. PROPERTIES

Reference is made to pages 6 and 13 of the Prospectus under the headings "Business of the Company" and "Engineers' Report", and to the Maps on pages 16 and 17, for particulars of the properties of the Company.

9. SUBSIDIARY COMPANIES

The Company's subsidiaries are as follows:

| Name of Subsidiary | Date of Incorporation | Manner of Incorporation | Nature of Business | Authorized Capital | Number of Shares Issued | Percentage Voting Stock Stock Owned |
|---|---|---|---|---|---|---|
| Balmer Mine Limited | July 13, 1965 | Memorandum of Association | Owner of coal mining plant and equipment | $1,700,000 | 109,829 | 100% |
| Westshore Terminals Ltd. | Jan. 27, 1969 | Memorandum of Association | Lessee and operator of Roberts Bank Bulk Handling Port Facility | $ 10,000 | 10,000 | 100% |

10. FUNDED DEBT

Reference is made to pages 3, 9 and 10 of the Prospectus under the headings "Capitalization" and "Capital Expenditure Program" for particulars of the funded debt of the Company.

11. OPTIONS, UNDERWRITINGS, ETC.

The Company has no outstanding options, underwritings, sale agreements or other contracts or agreements of a like nature with respect to any unissued shares or any issued shares held for the benefit of the Company.

12. LISTING ON OTHER STOCK EXCHANGES

No shares of the Company are listed on any stock exchange. Application has been made to list the common shares in the capital stock of the Company on the Vancouver Stock Exchange and the Montreal Stock Exchange. Acceptance of the listings is subject to the filing of the required documents and evidence of satisfactory distribution.

13. STATUS UNDER SECURITIES ACTS

The 2,500,000 common shares in the capital stock of the Company offered for sale by the Prospectus have been qualified for sale to the public through registered brokers in each of the provinces of Canada except Prince Edward Island and Newfoundland.

NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS IN ANY WAY PASSED UPON THE MERITS OF THE SECURITIES OFFERED HEREUNDER AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.

*New Issue*

# Kaiser Resources Ltd.

(incorporated under the laws of British Columbia)

## 2,500,000 Common Shares

**(par value $1 per share)**

## Price: $12 per share

There is no market for the common shares offered by this prospectus. The price was determined by negotiation between the Company and the Underwriters.

Application has been made to list the common shares on The Toronto Stock Exchange and The Vancouver Stock Exchange. Acceptance of the listings will be subject to the filing of the required documents and evidence of satisfactory distribution, both within a period of 90 days.

| | Price to Public | Underwriting Discount | Proceeds to Company (1) |
|---|---|---|---|
| Per Share | $12 | $0.80 | $11.20 |
| Total | $30,000,000 | $2,000,000 | 28,000,000 |

(1) Before deducting expenses of issue estimated not to exceed $100,000.

**These securities are speculative. Reference is made to the heading Speculative Nature on page 18.**

After this financing, Kaiser Steel Corporation will own 75% of the outstanding common shares.

We, as principals, offer these common shares subject to prior sale, if, as and when issued by the Company and accepted by us and subject to the approval of all legal matters on behalf of the Company by Fasken & Calvin, Toronto, Ontario, and on our behalf by Blake, Cassels & Graydon, Toronto, Ontario. Such counsel will rely on the opinion of Russell & DuMoulin, Vancouver, British Columbia, as to matters of British Columbia law.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that certificates in definitive form will be available for delivery on or about July 21, 1969.

## Table of Contents


| | Page |
|---|---|
| The Company | 3 |
| Use of Proceeds | 3 |
| Capitalization | 3 |
| Coal | 4 |
| Markets | 5 |
| Business of the Company | 6 |
| Founder | 6 |
| The Property | 7 |
| Mining Methods | 7 |
| Reclamation | 8 |
| Transportation | 8 |
| Bulk Handling Facilities | 9 |
| Capital Expenditure Program | 9 |
| Sales Contracts | 11 |
| Financial Forecast | 12 |
| Employees | 13 |
| Housing | 13 |
| Engineers' Report | 13 |
| Description of Common Shares | 15 |
| Maps | 16 |
| Speculative Nature | 18 |
| Dilution | 18 |
| Underwriting | 18 |
| Auditors | 18 |
| Principal Shareholder | 18 |
| Management | 19 |
| Material Contracts | 20 |
| Consolidated Financial Statements | 22 |
| Certificates | 31 |


### Purchasers' Statutory Rights of Withdrawal and Rescission

Sections 63 and 64 of The Securities Act, 1966 (Ontario), sections 70 and 71 of The Securities Act, 1967 (Saskatchewan), sections 63 and 64 of The Securities Act, 1967 (Alberta) and sections 63 and 64 of The Securities Act, 1968 (Manitoba) provide, in effect, that where a security is offered to the public in the course of primary distribution:

(a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the vendor not later than midnight on the second business day after the prospectus or amended prospectus offering such security is received or is deemed to be received by him or his agent; and

(b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

Sections 61 and 62 of the Securities Act, 1967 (British Columbia) provide, in effect, that where a security is offered to the public in the course of primary distribution, a purchaser has the same right of rescission described in (b) above and also that a purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last prospectus, together with financial statements and reports and summaries of reports relating to the securities as filed with the British Columbia Securities Commission, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice.

Reference is made to the said Acts for the complete texts of the provisions under which the foregoing rights are conferred and the foregoing summaries are subject to the express provisions thereof.

## The Company

Kaiser Resources Ltd. (the "Company") was incorporated as a private company under the name Kaiser Coal Ltd. on July 31, 1967 under the Companies Act of the Province of British Columbia by the filing with the Registrar of Companies of a Memorandum of Association. By special resolution filed with the Registrar on February 19, 1968, the authorized capital of the Company was increased to $2,000,000 divided into 2,000,000 shares with a par value of $1 each. By special resolution filed with the Registrar on April 10, 1969 the Company's name was changed to Kaiser Resources Ltd., by special resolution filed with the Registrar on April 25, 1969, the authorized capital of the Company was increased to $15,000,000 divided into 15,000,000 common shares with a par value of $1 each and on May 7, 1969 the Company was converted to a public company. The registered office of the Company is located at the 17th Floor, 1075 West Georgia Street, Vancouver, British Columbia and the head office of the Company is located in Sparwood, British Columbia.

The Company is developing and mining the high grade coking coal deposits in the Crowsnest area of southeastern British Columbia formerly owned by Crows Nest Industries Limited. (See "The Property" on page 7.)

The Company has commenced the construction and development of a new open-cut coal mining operation (the "Mine") utilizing large scale mobile mining equipment capable of producing 6,220,000 tons* per year of metallurgical coking coal, preparation facilities capable of producing at least 6,750,000 tons per year, and extensive related engineering, service and personnel facilities. (See "Capital Expenditure Program" commencing on page 9). Through a subsidiary, the Company has also commenced construction of bulk handling facilities (the "Bulk Handling Facilities") at the new deep water port presently being developed by the Federal Government at Roberts Bank, British Columbia. (See "Bulk Handling Facilities" on page 9).

*Unless otherwise stated, all references to "tons" mean short tons of 2000 lbs. each.

## Use of Proceeds

The estimated net proceeds to be derived by the Company from the sale of the common shares offered by this prospectus, amounting to $27,900,000 (after deducting expenses of the issue estimated not to exceed $100,000), will be applied to repay bank loans incurred under a bank credit agreement dated February 1, 1968 to finance the development of the Mine including the purchase and construction of its equipment and facilities. It is anticipated that the amount of such bank loans will equal or exceed such net proceeds at the date of closing of this issue of common shares. New long-term bank loans have been arranged and will be incurred to complete the financing of the Mine. Reference is made to "Capitalization" below and to "Capital Expenditure Program" commencing on page 9.

## Capitalization

| Designation | Authorized | Outstanding April 30, 1969 | Outstanding after giving effect to this financing | Outstanding on completion of the Mine and Bulk Handling Facilities |
|---|---|---|---|---|
| Debt: (1) | | | | |
| Term bank loans | $35,000,000 | $10,000,000 | $ nil | $35,000,000 |
| Sundry Indebtedness | | 604,089 | 604,089 | 321,673 |
| Capital Stock: | | | | |
| Common shares, par value $1 per share | 15,000,000 ($15,000,000) | 7,500,000 ($7,500,000) | 10,000,000 ($10,000,000) | 10,000,000 ($10,000,000) |
| Contributed surplus | | $34,500,000 | $60,000,000 | $60,000,000 |

(1) Reference is made to note 5 of the Notes to Consolidated Financial Statements on page 24.

(2) Reference is made to "Bulk Handling Facilities" on page 9 for the proposed financing arrangements of Westshore Terminals Ltd.

(3) Reference is made to note 9 (d) of the Notes to Consolidated Financial Statements on page 25.

## Coal

Coal has been man's primary energy source for many centuries. It was used initially as a domestic and industrial fuel, subsequently for steam locomotion and thermal power generation and, with the growth of iron and steel production, as a fuel and reductant in blast furnaces. Industrial development around the world prior to the last two decades was often centered around coal fields, as in the case of Pittsburgh, Pennsylvania, the Ruhr Valley in Europe, and Yorkshire, England.

Coal is a solid fossil fuel derived from carbonized vegetable matter, varying in rank and chemical and physical properties. Increasing rank identifies the progression from vegetable matter and depends upon the duration and the degree of heat and pressure. Through the geological periods of time, accumulations of plant materials in swamp-like areas gradually change successively to peat, lignite, sub-bituminous coal, bituminous coal and anthracite. Coal is employed for a variety of purposes, demanding different specifications. While lignite and sub-bituminous coal are suitable for thermal power generation they are unacceptable as coking coals. Only certain bituminous coals are suitable for use as metallurgical coking coals as these must produce a coke with sufficient strength to support the charge in a blast furnace. Taking into account costs of production and transportation, mineable reserves of high quality metallurgical coking coal are not plentiful compared to potential demands.

### *Canadian Coal Industry*

In the early 1950's, the Canadian coal industry suffered from increasing locomotive dieselization and the substitution for coal of natural gas and fuel oil in the domestic heating market. In spite of some offsetting demand from thermal power generation plants and expanding steel industries in the United States and Canada, Canadian coal industry production declined. Certain of the western Canadian coals were suitable for use as a coking coal but were not then competitive because of high production and transportion costs.

The increasing demand for coking coal by the substantial steel industry which evolved in Japan following World War II has created a new volume market for coking coal having the characteristics found in certain western Canadian coals. The planning and growth of the Japanese steel industry, requiring assured supplies over long periods, resulted in the negotiation of long-term, large volume contracts covering coking coal.

These increased demands for high quality coking coals, higher demands for other uses of coal such as thermal power generation and major technological advances in coal mining and transportation methods combined to produce a resurgence in the coal industry by the middle 1960's. Western Canadian producers are becoming competitive in foreign coal markets, particularly those in Japan and the western United States.

### *Technological Advances*

The design and successful operation of large draglines, shovels, trucks and drills and new explosives for use in large scale mining operations have made economic the removal of thicker overburdens, thus permitting the extension of reserves mineable by open-cut methods. Increased productivity and safety have also been accomplished through new and better underground mining methods which make possible extraction of coal from seams previously considered uneconomic to mine.

Modern coal transportation methods now employ highly automated and efficient unit trains running on tight turn-around schedules. Operating time of such equipment is in the order of 90% compared to about 20% prior to the use of unit trains. Highly mechanized port facilities expedite unloading of unit trains, stockpiling and loading of ships. The advent of large bulk carrying vessels of more than 100,000 dead weight tons and the construction of deep water ports to accommodate such vessels have substantially reduced trans-oceanic shipping, port handling and loading costs, and this trend is expected to continue as even larger vessels are designed and constructed and deep water port facilities continue to be improved.

### *Crowsnest Coal Fields*

Since the 1850's it has been evident that the Crowsnest area of southeastern British Columbia holds vast coal reserves. While only relatively small sections of these coal fields have been thoroughly explored, it is believed that a large portion of the coal in this area consists of high quality metallurgical bituminous

coking coal. When the Canadian Pacific Railway was built through the Crowsnest Pass in 1898, coal mining in this area was commenced on a major scale.

Crows Nest Industries Limited (formerly known as Crows Nest Coal Corporation Ltd.) has produced more than 50 million tons of coal and eight million tons of coke since it was formed in 1897 and has operated continuously since that date. In 1964 that company negotiated its first sales of metallurgical coking coal to the Japanese steel industry, and since that time has had contractual commitments for shipments of approximately 450,000 tons per year to the Japanese market.

In 1968 Crows Nest Industries Limited sold its coal-mining operations and most of its coal lands to the Company. (See "The Property", page 7.)

## Markets

### *Japan*

Since World War II the new and technologically advanced steel industry evolving in Japan has created a growing demand for coking coal. Crude steel production in the period 1958-67 has grown at a compound annual rate of 19% compared to a rate of 7% for free world steel production. Japan now is the world's third largest raw steel producer. By 1970, steel production in Japan is expected to exceed 88 million tons* and the related production of pig iron is expected to reach 57 million tons.

*Source: 33/The Magazine of Metals, January 1968, page 53.

The following table records the performance of the Japanese steel industry and coal consumption for the period 1958-1967†:

CRUDE STEEL AND BLAST FURNACE PIG IRON PRODUCTION AND COKING COAL CONSUMPTION BY JAPAN'S IRON AND STEEL INDUSTRY

(in thousands of tons)

| Year† | Crude Steel Production | Blast Furnace Pig Iron Production | Coking Coal Consumption: Imported | Coking Coal Consumption: Domestic | Coking Coal Consumption: Total |
|---|---|---|---|---|---|
| 1958 | 14,079 | 7,967 | 3,982 | 4,407 | 8,389 |
| 1959 | 20,114 | 10,435 | 4,974 | 5,779 | 10,753 |
| 1960 | 25,530 | 13,285 | 6,743 | 6,325 | 13,068 |
| 1961 | 32,407 | 17,684 | 9,814 | 7,172 | 16,985 |
| 1962 | 30,037 | 19,266 | 9,968 | 7,138 | 17,107 |
| 1963 | 37,566 | 22,814 | 10,889 | 8,745 | 19,633 |
| 1964 | 44,679 | 26,248 | 13,077 | 9,335 | 22,412 |
| 1965 | 45,521 | 30,788 | 16,199 | 9,191 | 25,390 |
| 1966 | 57,207 | 36,965 | 19,647 | 10,551 | 30,199 |
| 1967 | 68,511 | 44,196 | 24,212 | 11,108 | 35,320 |
| Annual Compound Growth Rate | 19% | 21% | 22% | 11% | 17% |

Sources: 1958 to 1966: 1967 Japan Echo Annual of Coking Coal.
1967: Japan's Iron & Steel Industry 1968 Edition.

†1958-1966 figures are for the Japanese fiscal years ending March 31 of each following year. 1967 figures are for that calendar year.

Japan has approximately 11 million annual tons of blast furnace capacity currently under construction and four large new furnaces capable of an additional 8 million tons per annum have been approved. At current Japanese consumption rates, additional consumption by these new installations alone would be in the order of 15 million tons of coking coal. In the Company's opinion, most, if not all, of the coal to supply the increased production will be imported since domestic coal reserves in Japan are of different quality than that most in demand by the industry and must be mined by high cost, underground methods.

At the present time, over 80% of Japan's imported coking coal is obtained from Australia and the United States. The Company expects competition on future contracts from these sources as well as from other Canadian coal mining developments which are presently in the planning or construction stage.

### *Other*

In addition to the Japanese market a number of possibilities exist for growth of Canadian coal sales in North America. Currently the Canadian steel industry, which is concentrated to a large extent in eastern Canada, uses approximately five million tons of metallurgical coking coal annually. Substantially all of such coal is imported from the eastern United States but competitively priced Canadian coal may reasonably be expected to gain acceptance in these markets.

Other potential consumers include the Kaiser Steel plant at Fontana, California, where coal of comparable quality is not presently available from its coal mines and a growing base metal smelter industry in western Canada and the western United States.

As a by-product of its coking coal production, the Company will produce large volumes of a lower quality, high ash steam coal. Within certain specifications, this product is suitable for consumption in thermal generation plants, and the Company is investigating potential markets for this grade of coal.

## Business of the Company

### *Founder*

The Company was incorporated by Kaiser Steel Corporation ("Kaiser Steel"), Kaiser Center, 300 Lakeside Drive, Oakland, California, and according to the statutory definition under the applicable securities legislation in Canada, Kaiser Steel may be considered the "promoter" of the Company. Prior to this offering all of the common shares of the Company were owned by Kaiser Steel. In turn, approximately 59% of the outstanding shares of Kaiser Steel is owned by Kaiser Industries Corporation.

Kaiser Steel, founded by the late Henry J. Kaiser, is a fully integrated steel company, with a plant at Fontana, California, which produces plates, tubular products, carbon and alloy bars, hot and cold rolled strip, hot and cold rolled sheets, galvanised steel sheets, structural shapes, tin plate, pig iron and ingot moulds. Kaiser Steel's iron ore requirements are met from its Eagle Mountain Mine in Riverside County, California, a large open-cut mining operation, and more than 80% of its coking coal requirements are obtained from its mines at Sunnyside, Utah and York Canyon, New Mexico. In addition, Kaiser Steel owns a 36% interest in Hamersley Iron Pty. Limited, a major Australian iron ore producer which markets a substantial portion of its products in Japan. Conduct of these operations has afforded to Kaiser Steel extensive experience in large scale, high volume mining. During the fiscal year ended December 31, 1968 Kaiser Steel had sales in excess of U.S. $425 million and earnings (including net equity in Hamersley earnings) of U.S. $33.9 million. Reference is made to the audited financial statements of Kaiser Steel and Subsidiaries on pages 26 to 30.

Kaiser Industries Corporation, through divisions and subsidiaries, produces and sells four-wheel drive 'Jeep' vehicles and heavy duty military trucks; engages in worldwide engineering and construction activities; produces and sells component parts and systems for the aerospace and electronics industries; owns or has interests in and operates UHF television and AM and FM radio stations in six metropolitan areas; produces and distributes sand, gravel and concrete products principally in the San Francisco Bay Area; engages in real estate development in Hawaii, southern California and elsewhere; and has a 50% interest in a company engaged in ship construction and repair at San Diego, California.

In addition to engaging in the businesses mentioned above, Kaiser Industries Corporation holds controlling interests in Kaiser Steel, Kaiser Aluminum & Chemical Corporation and Kaiser Cement & Gypsum Corporation, as shown in the following table:

| | Ownership | |
|---|---|---|
| | Number of Shares | Per Cent of Outstanding Shares |
| | March 31, 1969 | |
| Kaiser Steel Corporation | 3,933,312 | 59% |
| Kaiser Aluminum & Chemical Corporation | 5,662,579 | 33% |
| Kaiser Cement & Gypsum Corporation: | | |
| Common | 2,257,113 | 38% |
| Preferred | 50,000 | 18% |

***The Property***

Under agreements dated May 8, 1967, January 16, 1968 and February 24, 1968, the Company acquired from Crows Nest Industries Limited and certain of its wholly-owned subsidiaries ("CNI") the coal in approximately 108,000 acres owned by CNI located in the Crowsnest Pass Basin, together with such surface and other rights as the Company requires for the conduct of its business. The Company also purchased from CNI all the shares of Balmer Mine Limited, which owns the mining plant and equipment utilized in the present mining operations of the Company. The Company acquired these coal properties, assets and shares for a consideration of (i) 351,351 common shares of Kaiser Steel (after giving effect to a 3-for-2 stock split in March, 1968) with an approximate market value on date of acquisition, February 29, 1968, of $17 million; (ii) $3,094,206 payable in ten semi-annual payments of $309,421 commencing on August 1, 1968 less dividends paid during each semi-annual period on the 351,351 shares, up to and including the payment on February 1, 1973; and (iii) the reservation of an undivided interest in all coal mined after January 1, 1977 consisting of the right to receive a production payment amounting to 50 cents per ton to a maximum of $34,000,000. Under the foregoing agreements, the Company has until 1973 (subject to extensions in certain circumstances) to explore the property acquired following which it is committed to reconvey to CNI approximately 43,000 acres of such property to be specified by the Company.

The property purchased by the Company is located in the East Kootenay area of British Columbia and comprises the bulk of the area known as the Crowsnest coal fields. It lies east of the Elk River, extends northward a distance of approximately 63 miles from a point about 20 miles north of the United States border and varies in width to a maximum of 12 miles. Preliminary exploration by the Company has indicated in excess of 1 billion tons of coal in place on approximately 10,000 acres of the property in the area around Michel, British Columbia. Further details of the reserves of the property are set out under the heading "Engineers' Report" on page 13. The portion of the property to be initially developed by the Company is known as Harmer Ridge. (See maps on pages 16 and 17).

In addition to the coal lands acquired from CNI, the Company holds rights to the coal in approximately 7,700 acres in the same area under coal licences granted by the Province of British Columbia and has made application for further coal licences covering an additional 3,840 acres.

***Mining Methods***

Prior to acquisition of the property by the Company, underground mining and small scale open-cut mining were being conducted by CNI. These have been continued by the Company and production is expected to be continued at the rate of approximately 500,000 tons annually. The existing underground mining has been conducted by the conventional room and pillar method, which has resulted in relatively low coal recovery ratios. The existing preparation plant will be modernized or replaced. The Company presently plans that after modernization or replacement this plant is expected to have a minimum rated capacity of 200 tons per hour.

The Company is constructing and developing the Mine for the purpose of producing approximately 6.2 million tons of coking coal annually for sale under the contracts with Mitsubishi Shoji Kaisha, Ltd. described under the heading "Sales Contracts" on page 11. This open-cut operation will entail the removal of soil and rock overburden to expose the coal in Balmer (No. 10) Seam which will then be removed by loading equipment. The open-cut reserves to support this operation occur in approximately 2,200 acres of the Company's property. The Company estimates that this area will yield by open-cut mining approximately 135 million tons of clean metallurgical coking coal. The coal seam varies from 30 to 70 feet in thickness and is covered by overburden, consisting mostly of rock, ranging from a few feet to 500 feet and averaging 275 feet in thickness. For the first three years of operation, stripping is programmed at the rate of 3.5 cubic yards of overburden per ton of raw coal, and at 6.2 cubic yards for at least the succeeding twelve years.

The Company will conduct its open-cut mining operations on a scale permitting the use of large equipment. This equipment will consist initially of eleven 200 ton and twelve 100 ton diesel electric trucks, a 54 cubic yard walking dragline equipped with a 300 foot boom to remove overburden and coal, four 25 cubic yard shovels, rotary drills and auxiliary equipment including supply trucks and bulldozers. 200

ton trucks and loading shovels of these sizes with their high productivity have only recently been developed by manufacturers and will be used for the first time in this mining operation.

In the proposed new open-cut operation overburden will be prepared for blasting with large rotary drills using 12 or 15 inch rock bits, and after blasting will be removed to expose the coal seam by two methods. Generally the overburden down to within 100 feet of the top of the seam will be moved with 25 cubic yard shovels loading into 200 ton trucks. The remaining overburden immediately over the seam will be removed and cast into previously mined areas with the dragline. Coal deposited on the dragline bench by the dragline will be loaded into 100 ton trucks by front-end loaders or loading shovels.

The coal will be transported by nine 100 ton diesel electric trucks to a centrally located breaker station approximately 2,000 feet above the railroad loading point in the valley. The coal will be moved from the breaker station by an 8250 foot belt conveyor through a 4800 foot rock tunnel in West Baldy Mountain to the raw coal storage area at the preparation plant. The grade will be in favor of the load with the conveyor speed controlled by regenerative braking. Reclaimed raw coal will be conveyed to the preparation plant where it will be cleaned and thermally dried to product specifications. Clean coal will be stored in silos totalling 60,000 tons capacity from which it will be loaded into unit trains.

The Company has instituted programs to increase the efficiency of the underground mining operations and plans to investigate other underground mining methods. Approximately $2 million has been appropriated by the Company for development of a test mine using an hydraulic method. This method employs water under high pressure to cut the coal and move it in slurry form to a separation facility, where the water is recycled and the coal further processed. This method has been researched and successfully used in Japan. The test mine now under development will demonstrate whether large scale commercial hydraulic mining is feasible at the Company's property. The Company is also considering the feasibility of the long-wall method of underground mining and more effective application of existing equipment in the room and pillar system. Both the hydraulic and long-wall methods have been employed successfully elsewhere on steep dips similar to conditions in the Crowsnest area.

### *Reclamation*

The Coal Mines Regulation Act of the Province of British Columbia requires every owner of a surface mine to institute and carry out a program for reclamation and conservation of the land. Any such program must be approved by the Minister of Mines of British Columbia. Before the enactment of this Act in April, 1969 the Company had recognized the desirability of a reclamation program and to this end it established a Fellowship at the University of British Columbia for the study of existing reclamation systems and other possibilities. The Company is preparing its program of reclamation for submission to the Minister of Mines and anticipates it will obtain the requisite approval.

The Company's preparation plant will utilize the most modern air and water pollution control equipment and will comply with up-to-date industrial standards.

### *Transportation*

The Crows Nest Pass provides access through the Continental Divide for the Canadian Pacific Railway and a major line of its system runs adjacent to the coal preparation plant.

The Canadian Pacific Railway Company has agreed with the Company to supply five unit trains of one hundred rotary dump cars each to transport the coal from the preparation plant to tidewater. Each train will be capable of moving 10,500 tons of coal and will complete the 1370 mile round trip in three days. The required rolling stock and certain other related transportation facilities will be provided by the railway. As a result of the volume of coal to be transported and the use of unit trains, the Company has negotiated a rate of approximately $3.50 per ton which is about 65% of the rate currently in effect for conventional

transportation of coal. These rates will permit the Company to ship its coal to the Port without reliance on government subsidies.

### *Bulk Handling Facilities*

The Company, through its wholly-owned subsidiary Westshore Terminals Ltd. ("Terminals"), has leased approximately 50 acres of land on tidewater at Roberts Bank, a new deep water port (the "Port") now under construction about 18 miles south of the City of Vancouver (See map on page 16). The land on which the Company's Bulk Handling Facilities are being constructed is connected to the mainland by a three mile causeway. The property is leased from the National Harbours Board for a period terminating March 31, 1985, with two 15-year renewal options. Terminals is presently constructing facilities for unloading rail cars, stockpiling and ship loading on the property which will be sufficient initially to stockpile 400,000 long tons of coal and to handle coal from stockpile to ship on a first in, first out basis at the rate of 6,000 long tons per hour. These capacities are more than sufficient to handle shipments required under the Company's existing sales contracts, but the facilities are so designed as to be capable of expansion to double their initial capacity at minimum additional cost.

The Bulk Handling Facilities will also contain equipment for the fully automatic unloading of unit trains and for the conveyance of coal to the stockpile. The use of automatic indexing equipment and of unloading equipment capable of overturning and dumping an entire coal car without uncoupling will enable a unit train carrying up to 10,500 tons of coal to be unloaded in three hours.

The wharfing facilities and the harbour at the Port will be capable of accommodating ships of up to 150,000 dead weight tons capacity. The ship loading facilities will complete the loading of a 100,000 dead weight ton vessel within 24 hours.

Under its lease from the National Harbours Board Terminals is obligated to handle bulk coal for other shippers and, upon the availability of a competitive facility at the Port handling other bulk cargoes, may handle such other bulk cargoes except grain.

Dredging work for the creation of the Port started on July 2, 1968 and development of the 50 acre site and causeway was sufficiently advanced to permit access to the site for the commencement of construction of the Bulk Handling Facilities on April 8, 1969. The Bulk Handling Facilities are scheduled for completion before the end of 1969. The Company estimates that the total cost of the Bulk Handling Facilities will not exceed $9,000,000 of which $2,117,347 had been expended at April 30, 1969.

The financing arrangements for the Bulk Handling Facilities are currently under negotiation by The First Boston Corporation and A. E. Ames & Co. Limited as agents for Terminals. It is anticipated by the Company and Terminals that the financing of the Bulk Handling Facilities will provide substantially all of the funds expended or to be expended to construct the Bulk Handling Facilities and that it will consist entirely of debt. Pending consummation of this financing, by agreement dated June 10, 1969 with the Company and Terminals, Kaiser Steel has agreed that it will guarantee the provision to Terminals of all funds that may be required to complete the Bulk Handling Facilities. Reimbursement for such advances will be made only from the proceeds of the financing of the Bulk Handling Facilities, or if such financing is not consummated, such advances will be converted to long term debt of Terminals, secured on Terminal's interest in the Bulk Handling Facilities and the assignment of its leasehold of the site and causeway, bearing interest at such rate as Kaiser Steel may designate not over 10% per year and repayable out of excess funds of Terminals not required for the operation of the Bulk Handling Facilities or the conduct of Terminals' business.

### *Capital Expenditure Program*

The estimated capital expenditures required to put the Mine into commercial production, in addition to the cost of the property set out under "The Property" on page 7, are $85,100,000. Of this total, about $20 million was spent in 1968, expenditures for 1969 are estimated to be $50 million and the balance of

about $15 million is scheduled for 1970. Expenditures to April 30, 1969 and the total estimated expenditures may be summarized as follows:

| | Expenditures to April 30, 1969 | Total Estimated Expenditures |
|---|---|---|
| Mobile mining equipment | $10,800,000 | $24,900,000 |
| Coal preparation plant | 12,300,000 | 29,800,000 |
| Utilities, roads, service and community facilities | 5,900,000 | 13,600,000 |
| Exploration, mine development and pre-production | 1,200,000 | 8,000,000 |
| Engineering, field overhead and other indirect costs | 5,900,000 | 8,800,000 |
| | $36,100,000 | $85,100,000 |
| Less expenditures to April 30, 1969 | | 36,100,000 |
| Balance to be expended | | $49,000,000 |

As at April 30, 1969, an additional $22,800,000 has been committed so that about 69% of the capital expenditure program was completed or committed at that date. In the opinion of management the uncommitted balance of $26,200,000 is sufficient to put the Mine into commercial production.

The total funds for the capital expenditure program are to be provided as follows:

| | |
|---|---|
| Kaiser Steel investment in common shares of the Company | $24,600,000(1) |
| Proceeds of this issue | 27,900,000 |
| Term bank loans | 35,000,000 |
| | $87,500,000 |

(1) This amount is part of the $42 million subscription for equity in the Company by Kaiser Steel.

The Company estimates that an additional $24 million will be required by 1972 when the mining program requires a substantial increase in the ratio of overburden and waste rock stripped to coal mined. Reference is made to "Mining Methods" on page 7. It is anticipated that funds for such additional expenditures will be provided by cash flow from operations during the years 1970-72, estimated to aggregate $77 million.

The Company has received a commitment from a consortium of Canadian chartered banks to make available new term bank loans aggregating $35 million referred to above. These loans are to be repaid in 25 equal quarterly installments commencing July 1, 1971. In addition, a $15 million standby credit has been negotiated with the same banks which will be available commencing in 1970 to cover working capital or other cash requirements which might arise. Based on current financial projections it is not anticipated that any of this standby credit will be utilized.

The agreements covering these loans contain a covenant to maintain the Company's working capital at a specified level as well as certain other restrictive covenants. The existing bank loans are guaranteed by Kaiser Steel. Subject to certain conditions and limitations, the new term bank loan and the standby credit will be guaranteed by Kaiser Steel.

### *Sales Contracts*

The Company has entered into the following contracts with Mitsubishi Shoji Kaisha, Ltd., ("Mitsubishi") providing for the sale of metallurgical coking coal:

| Contract Date | Term of Contract | Annual Tons (1) | Total Tons |
|---|---|---|---|
| March 1, 1968 | 15 years (2) | 3,360,000 | 50,400,000 |
| December 24, 1968 | 5 years | 168,000 | 840,000 |
| February 17, 1969 | 3 years (3) | 2,240,000 | 6,720,000 |
| | | 5,768,000 | 57,960,000 |

(1) Mitsubishi has the option to increase or decrease annual deliveries by up to 10% of the amount specified under each contract.

(2) Subject to cancellation at the end of the sixth and eleventh contract years in the event mutual agreement cannot be reached with respect to repricing at those times.

(3) Mitsubishi has the option to extend this contract for a further two years.

All contracts provide that the coal delivered must have the following specifications, calculated at the port of loading:

| | | |
|---|---|---|
| Total moisture | 6.0% | maximum |
| Inherent moisture, air dry basis | 1.50% | maximum |
| Volatile matter, air dry basis | 19–22% | |
| Maximum ash (with 0.5% tolerance) air dry basis | 8.75% | maximum |
| Sulphur, air dry basis | 0.40% | maximum |
| BTU, air dry basis | 14,000 | (approx.) |
| F.S.I. (range) | 6—8 | |
| Size—$\frac{1}{2}''$ x 0 (minimum) | 90% | |
| (maximum) | $1\frac{1}{2}''$ | |

Although Mitsubishi is the named purchaser under the above contracts with the Company, Mitsubishi has agreed to resell the coal so acquired for ultimate consumption to the following Japanese users: Yawata Iron & Steel Co., Ltd., Fuji Iron & Steel Co., Ltd., Nippon Kokan Kabushiki Kaisha, Kawasaki Steel Corporation, Sumitomo Metal Industries, Ltd., Kobe Steel, Ltd., Nisshin Steel Company, Ltd., Osaka Iron & Steel Company, Ltd., Yahagi Iron Co., Ltd. and Mitsubishi Chemical Industries, Ltd. Imports of coal to Japan are controlled by the Japanese Government under a quota system calling for the issue of semi-annual permits to the ultimate consumer of coal. Accordingly, continuation of the Company's sales under the above contracts is dependent upon the continued permission of the Japanese Government. The Company knows of no reason to anticipate that sales of coal under the above contracts will be limited in this manner. However the Company has entered into an agreement with Mitsubishi which in turn has entered into agreements with the ultimate consumers of the coal designed to assure that if the importation of coal is restricted by the Japanese Government, the Company will share the reduction to a degree no greater than pro rata with all other foreign suppliers of coal to the above ultimate consumers.

The prices payable by Mitsubishi for coal under the above contracts are subject to year-by-year increases and decreases in accordance with a formula designed to have Mitsubishi participate in increases and decreases in the Company's costs of supplying the coal. The contract price is f.o.b. ship at port facilities at Roberts Bank and the Company is required to pay the freight and dock charges.

In 1969 the Company expects to ship approximately 500,000 tons of coal and/or coke to North American purchasers either under contract or on a spot basis, and 450,000 tons to Japanese purchasers under a five year contract expiring on March 31, 1970. The North American sales are expected to continue after 1969 at approximately the same annual rate.

The Company is actively seeking additional contracts for the sale of metallurgical coking coal and coke in Canada, Japan, United States, Europe and Latin America and for the sale of coal for other purposes such as thermal power generation.

*Financial Forecast*

The following is a summary of the Company's consolidated financial forecast for the five years ended December 31, 1974. The financial forecast assumes:

(i) the three year Japanese sales contract dated February 17, 1969 (see "Sales Contracts" on page 11) will be extended for a further two years;

(ii) the established level of sales by CNI to North American purchasers (much of which has been under short-term contract or open purchase order) will be maintained by the Company; and

(iii) the options to increase or decrease by 10% annual deliveries under the Japanese sales contracts are not exercised.

Note 1 below illustrates the effect on the Company's net profit and net earnings if the Company does not make the sales assumed in (i) and (ii) above.

| | 1970 | 1971 | 1972 | 1973 | 1974 |
|---|---|---|---|---|---|
| | | | (Millions of dollars) | | |
| Revenues | | | | | |
| Sales | $58.8 | $76.7 | $76.7 | $76.7 | $78.6 |
| Other income | 0.3 | 0.3 | 1.6 | 2.0 | 3.2 |
| Total | 59.1 | 77.0 | 78.3 | 78.7 | 81.8 |
| Costs | | | | | |
| Production | 19.0 | 21.6 | 19.6 | 24.1 | 24.9 |
| Transportation | 15.1 | 20.2 | 20.2 | 20.2 | 20.2 |
| Depreciation and depletion | 7.3 | 7.8 | 8.9 | 8.9 | 9.0 |
| Interest on long-term debt | 3.0 | 3.2 | 2.6 | 2.0 | 1.5 |
| Administrative, general and selling expenses | 3.7 | 3.9 | 3.9 | 3.9 | 4.0 |
| | 48.1 | 56.7 | 55.2 | 59.1 | 59.6 |
| Net profit before taxes | 11.0 | 20.3 | 23.1 | 19.6 | 22.2 |
| Provision for taxes (Note 7) | | | | | |
| Current | 0.3 | 0.3 | 1.0 | 1.2 | 3.7 |
| Deferred | — | 0.6 | 0.4 | 0.3 | 9.3 |
| | 0.3 | 0.9 | 1.4 | 1.5 | 13.0 |
| Net earnings (Note 7) | $10.7 | $19.4 | $21.7 | $18.1 | $ 9.2 |

NOTES:

1. If the Company does not make the sales assumed in (i) and (ii) above the forecast of net profit and net earnings for the five years ended December 31, 1974 is as follows:

| | 1970 | 1971 | 1972 | 1973 | 1974 |
|---|---|---|---|---|---|
| | | | (Millions of dollars) | | |
| Net profit before taxes | 9.4 | 16.8 | 17.4 | 9.4 | 7.4 |
| Provision for taxes (Note 7) | | | | | |
| Current | — | — | 0.7 | — | 0.3 |
| Deferred | — | 0.6 | 0.4 | 0.2 | 0.1 |
| | — | 0.6 | 1.1 | 0.2 | 0.4 |
| Net Earnings (Note 7) | 9.4 | 16.2 | 16.3 | 9.2 | 7.0 |

2. Sales revenues include shipments to be made under the Japanese contracts (see "Sales Contracts") at the net contract price f.o.b. the Port.

3. Production costs have been estimated based on current costs of operating the specific equipment to be utilized in the mining plan as presently projected. For the years 1970 to 1972 inclusive, these costs reflect the removal of 3.5 cubic yards of overburden for each ton of raw coal mined. This ratio will be increased to 6.2 for the remaining terms of the Japanese contracts. A contingency of 10% has been included in the production costs as well as $0.50 per ton start-up in the first year and $0.25 per ton in the second year. Production costs include unloading and loading costs at the Port.

4. Transportation costs represent rail transportation costs from the Mine to the Port.

5. The forecast assumes that a price escalation provided for in the Japanese contracts will offset cost inflation.

6. Depreciation is calculated on a 15 year straight line basis. Depletion is taken at a rate of $0.10 per ton of raw coal mined. Pre-production expenses are amortized over 15 years.

7. Provision for taxes includes British Columbia mining tax and federal income tax at current rates. Under the provisions of the Income Tax Act, (Canada) the Company will be exempt from federal income taxes for a three year period from commencement of commercial production in 1970 on all income derived from the sale of coal mined from Harmer Ridge.

### *Employees*

The Company employs approximately 350 production and maintenance workers in the present mining operation. The Company estimates that by 1970, when the Mine is in full production, it will employ in open-cut mining approximately 390 additional workers. All of the hourly-paid production and maintenance employees are covered by union contracts with the United Mine Workers of America. In addition, the Company estimates that it will employ 150 technical and administrative personnel.

### *Housing*

The methods of mining to be used by the Company will require training and employment of a large number of skilled operations personnel. The experience of the Company's management, based on other mining operations carried on by Kaiser Steel, indicates that significant savings can be obtained through maintenance of a relatively stable group of employees of this type. In remote and inaccessable areas such stability is greatly enhanced by assuring the provision of comfortable housing. It will therefore be the policy of the Company to promote individual home ownership and to the extent necessary to provide direct and indirect financial assistance for that purpose.

## Engineers' Report

The Company retained John T. Boyd Company ("Boyd"), Mining Engineers and Geologists, Oliver Building, Pittsburgh, Pennsylvania, to prepare an evaluation of the Company's Mine and coal lands, and to advise upon the feasibility and economics of the Mine. The report, dated May, 1969, has been prepared and submitted to the Company. It is based upon data and projections supplied to Boyd by the Company. A signed copy of the report has been filed with each of the Securities Commissions requiring such filing in the provinces of Canada in which the common shares offered by this prospectus are to be sold and is available for inspection at the offices of such Securities Commissions.

The report was undertaken in order to evaluate the coal property and operations of the Company. Information relating to and the results of exploration and test work performed by the Company were made available to Boyd and, after being checked by Boyd, was used in determining coal reserves, classified as proven, probable, and possible, stripping ratios and saleable tons of clean coal. Using the stripping and clean coal recovery ratios, Boyd has made estimates of required capital expenditures, labour force, depreciation and total operating costs for production by the Company of 6.8 million tons of saleable coal per year.

In order to substantiate and expand upon information supplied by the Company, Boyd's personnel visited and spent a total of eight man days on the property in the period from April, 1968 to April, 1969. Over the past fifteen years Boyd has made a number of studies of the Crowsnest area involving reserves, mining costs, feasibility, and other engineering problems and is thoroughly familiar with the area.

In addition, the report considers the operation and cost of the Bulk Handling Facilities to be operated by Terminals.

Throughout the report, the following definitions apply:

(i) "Proven reserves of coal" are reserves for which tonnage is computed from measurements in drill holes spaced at approximate 0.5 mile intervals or less, which are supplemented by seam data from outcrops, adits or existing mine workings.

(ii) "Probable reserves of coal" are reserves for which tonnage is computed partly from specific measurements and partly from projection of visible data for a reasonable distance on geologic evidence. In general, the points of observation are approximately 1.0 mile apart, but they may be as much as 1.5 miles apart for beds of geologic continuity.

(iii) "Possible reserves of coal" are those in areas in which little or no exploratory drilling or adit driving has been done but where geologic studies have determined continuity of the Kootenay coal bearing formation and to a considerable extent have correlated the various coal seams.

The Company has divided the area around Michel into strip reserve areas referred to as Harmer Ridge, Adit 29, Camp 8, East Balmer, and underground deep coal reserve Areas A through G.

The following is a tabulation of the pertinent facts on the Company's exploration program and the strip coal reserves of the assigned areas.

| Low Volatile Coal Balmer (No. 10) Seam | Harmer Ridge | Adit 29 | Camp 8 | East Balmer | Total |
|---|---|---|---|---|---|
| Test Drill Holes | 53 | 26 | 13 | 32 | 124 |
| Test Pits | 3 | 1 | 1 | 11 | 16 |
| Adits | 3 | 3 | 4 | 4 | 14 |
| Coal Acres | 696 | 615 | 509 | 366 | 2,186 |
| Average Seam Thickness (ft.) | 45.6 | 51.7 | 56.1 | 45.6 | 50.2 |
| *Recoverable tons Raw Coal ('000's) | 50,180 | 50,548 | 45,098 | 25,626 | 171,452 |
| Ratio—Raw Coal | 5.50 | 8.20 | 7.20 | 7.40 | 7.00 |
| Recoverable Tons Clean Coal 80% Yield ('000's) | 40,144 | 40,438 | 36,078 | 20,502 | 137,162 |

*Air dry basis

The Company is continuing this exploration program and has budgeted approximately $2,500,000 for this work over the five year period 1970 to 1974.

The Company is planning a pilot mine to investigate methods of thick seam mining by hydraulic undercutting and caving which would permit 65-70% mining recovery. This would increase the deep coal reserves to 78,680,000 tons of raw coal.

The following tabulation summarizes the Company's proven and probable reserves by reserve classification:

| Classification | Tons of recoverable clean coal |
|---|---|
| Proven | 147,058,000 |
| Probable | 311,176,000 |
| TOTAL | 458,234,000 |

NOTE:

It is estimated that the Company's reserves include additional tonnage classified as possible reserves in the order of one billion tons of recoverable clean coal. The basis for the estimate of possible reserves is data from the report "Coal Reserves of Canada" by B. R. MacKay, Geological Survey, Canada, 1947; reference table 16, Reserves of Southeastern British Columbia, based on seams not less than 3 ft. thick to a maximum depth of 2500 ft.

The proposed preparation plant to be constructed by the Company has been designed to produce coal which will meet the specifications set forth in the contracts with Mitsubishi. The plant has a designed rated capacity of 1400 tons per hour of raw coal feed and is scheduled to operate 7000 hours per year or 80% of the total available operating time. On this basis, which Boyd considers to be reasonable, the plant will be capable of processing the tonnage required to fulfill the Company's contracts with Mitsubishi.

The plant has provision for storage silos for 8000 tons of raw coal and 60,000 tons of clean coal. Boyd considers these storage areas to be adequate to permit continuous operation of the plant.

Based on washability tests from drill holes, adit crosscuts, test pits and underground samples, the report estimates that the preparation plant will produce metallurgical coal of the following grades on an air dry basis:

| | East Balmer | Harmer Ridge | Adit 29 | Camp 8 | Underground | Japanese Contracts' Specifications |
|---|---|---|---|---|---|---|
| Inherent Moisture.. | 1.70% | 1.50% | 1.50% | 1.50% | 1.50% | 1.50% maximum |
| Ash.............. | 9.00% | 8.80% | 8.95% | 8.95% | 8.90% | 8.75% maximum (2) |
| Volatile Matter.... | 20.80% | 19.90% | 20.90% | 21.60% | 20.90% | 19-22% |
| Fixed Carbon...... | 68.50% | 69.80% | 68.65% | 67.95% | 68.70% | (3) |
| Sulphur........... | 0.37% | 0.31% | 0.31% | 0.32% | 0.37% | 0.40% maximum |
| BTU.............. | 14,200 | 14,300 | 14,275 | 14,275 | 14,275 | 14,000 approximately |
| Recovery.......... | 74.00% | 75.00% | 80.00% | 76.00% | 76.50% | (3) |
| Recovery with 4.5% Surface Moisture (1) | 77.50% | 78.50% | 83.50% | 79.50% | 81.50% | (3) |

NOTES:

(1) For estimating purposes an average yield of 80% was assumed for all areas. Recovery converted to a saleable product with 4.5% surface moisture.

(2) With 0.5% tolerance.

(3) No specification.

Boyd's estimate of the average annual operating costs for the open-cut operation based on average shipments of 6.2 million tons per year for 15 years (including contingency but excluding inflation, interest, financial charges, tonnage payments to CNI and taxes) closely approximates the Company's estimate and accordingly Boyd accepts the resulting five-year projection by the Company. The Company's projection includes estimated deep mining cost based on improved mining methods now being initiated averaging $5.11 per ton over this period. If this cost cannot be met, the required tonnage will be replaced by added open-cut coal which can be mined in this cost range.

Considering the amount of exploration work, the quantity of strippable reserves, the 58.0 million tons of coal contracted to the Japanese market, and Kaiser's open-cut mining experience, Boyd believes the Company's estimates to be conservative and realistic.

## Description of Common Shares

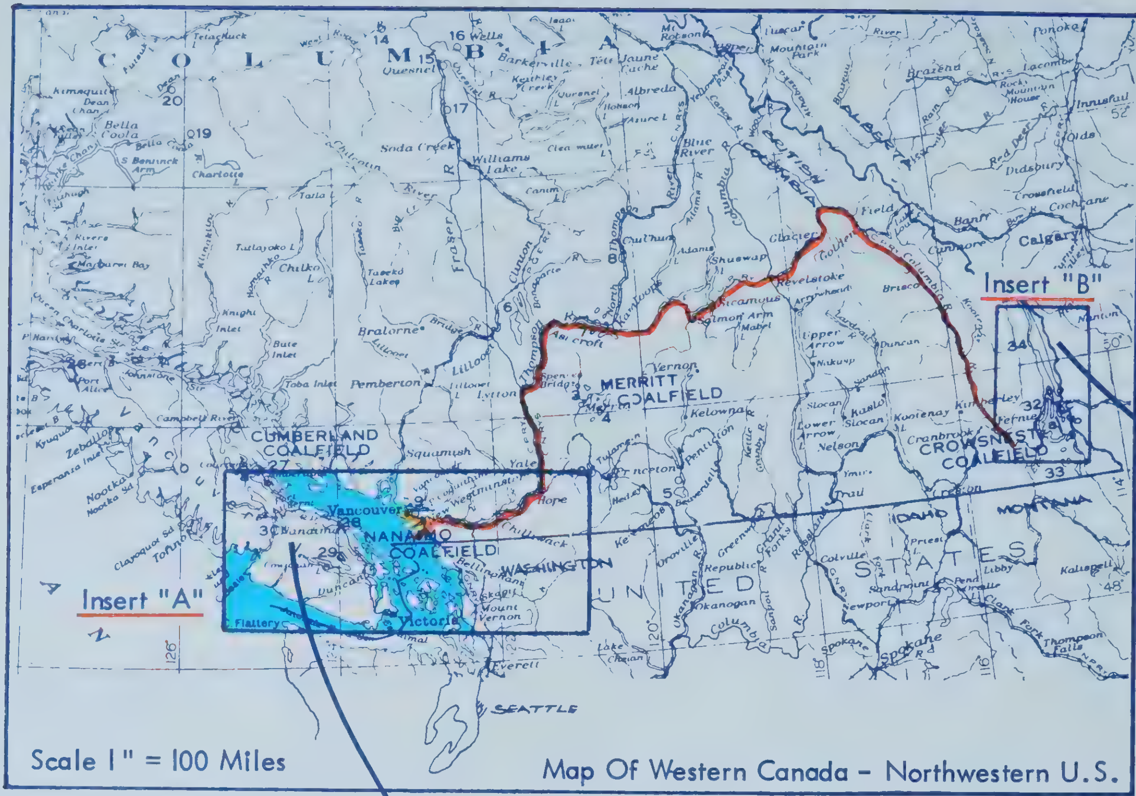
### *General*

The holders of common shares with a par value of $1 each are entitled to receive pro rata such dividends as may from time to time be declared by the board of directors, are entitled to one vote per share and are entitled upon liquidation to receive such assets of the Company as are distributable to the shareholders.

### *Dividend Policy*

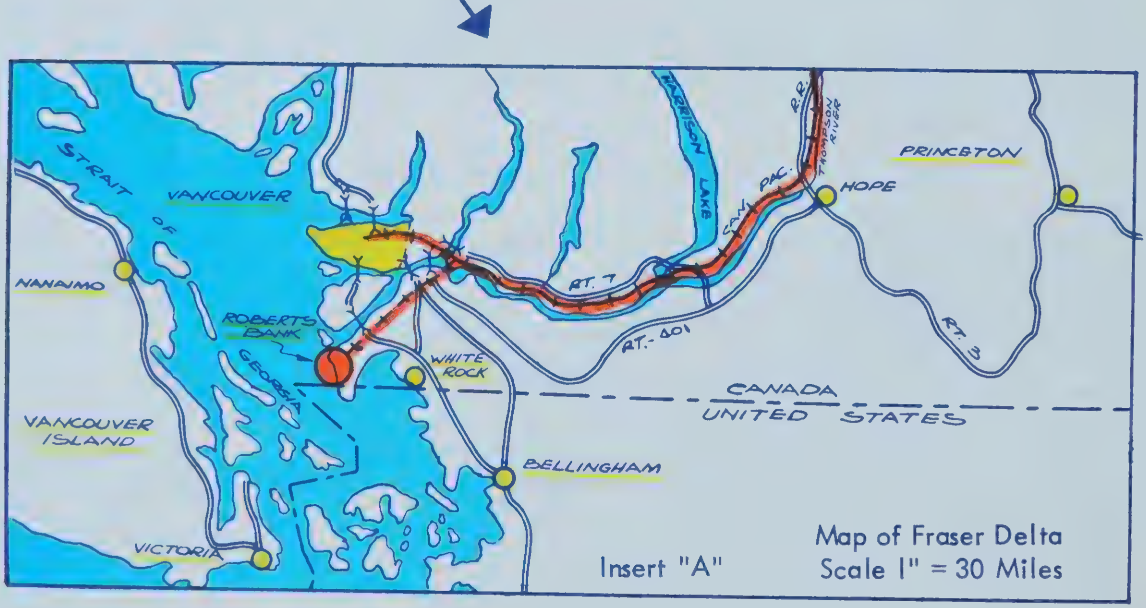
The Company to date has paid no dividends on any of its common shares. The dividend policy of the Company in the future will be determined by the directors on the basis of the availability of earnings for payment of dividends, debt retirement and the financial requirements of the Company for continuation and possible expansion of operations.

The agreement providing for the loan extended to CNI under the Coal Production Assistance Act and assumed by the Company from CNI restricts the declaration or payment of dividends without the approval of the Minister of Energy, Mines and Resources of Canada. The balance of this loan outstanding is $407,757.



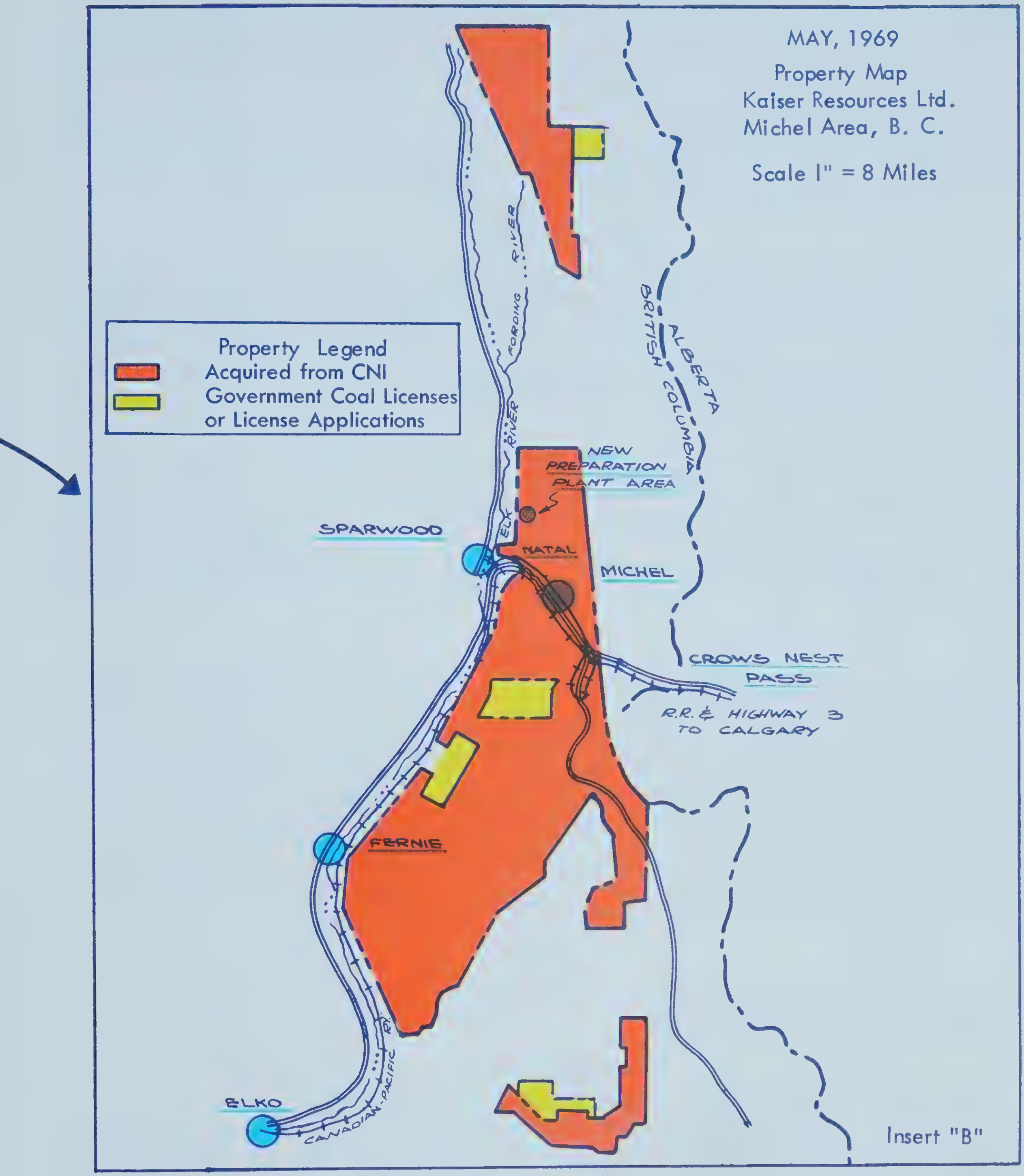

Scale 1" = 100 Miles

Map Of Western Canada - Northwestern U.S.




Insert "A"

Map of Fraser Delta
Scale 1" = 30 Miles




John T. Boyd Co.
Pittsburgh, Pa.

The existing agreement with the Company's bankers providing for the $35 million line of credit prohibits the declaration or payment of dividends while any advances under the line of credit are outstanding.

The commitments for the new bank credit agreements permit the payment of dividends provided the loans are not in default and the Company maintains working capital satisfactory to the banks.

***Transfer Agent and Registrar***

The Transfer Agent and Registrar for the common shares of the Company are respectively Canada Permanent Trust Company and National Trust Company, Limited at their principal offices in the cities of Vancouver, Calgary, Winnipeg, Toronto and Montreal.

## Speculative Nature

The Company plans to commence mining coal by the open-cut method and on a scale unprecedented in the history of Canadian coal mining. The earnings of the Company up to the completion of the Mine and the commencement of large volume shipments to Japan (see "Sales Contracts" on page 11) reflect only the earnings from the operations taken over from CNI. There is accordingly no history of Canadian coal mining operations of a nature similar to those planned by the Company and the common shares offered by this prospectus may therefore be considered speculative.

## Dilution

In the period from February 1968 to April 1969, Kaiser Steel subscribed for 7,500,000 common shares of the company for a cost of $42,000,000.

According to the consolidated balance sheet of the Company appearing on page 22 and after giving effect to this financing, the net book value per share will be $7.03 and accordingly a purchaser of the common shares will suffer a dilution of $4.17 per share being the difference between the net proceeds per share to the Company and the net book value per share.

## Underwriting

Pursuant to an agreement dated June 27, 1969 with A. E. Ames & Co. Limited, The First Boston Corporation, Wood Gundy Securities Limited and Pemberton Securities Limited (the "Underwriters"), the Company agreed to sell and the Underwriters agreed to purchase 2,500,000 common shares with a par value of $1 per share in the capital of the Company for an aggregate consideration of $28,000,000. The purchase price is payable in cash against delivery and upon and subject to the terms and conditions set out in the agreement. Under the agreement the Underwriters are obliged jointly and severally to take up and pay for all of the common shares offered by this prospectus if any such common shares are purchased.

The Underwriters have agreed that they will not offer, sell or deliver any of the common shares in the United States of America, its territories or possessions or offer, sell or deliver any of the common shares to or for the account of residents thereof, and that they will cause each member of any banking or selling group to similarly agree.

## Auditors

The auditors of the Company are Touche, Ross, Bailey & Smart, Chartered Accountants, 1177 West Hastings Street, Vancouver, British Columbia.

## Principal Shareholder

As at April 30, 1969, Kaiser Steel owned beneficially, directly or indirectly, 7,500,000 common shares of the Company, being all the issued and outstanding common shares as at that date. These common shares were issued to Kaiser Steel for an aggregate consideration of $42 million comprised of 351,351 common shares of Kaiser Steel acquired by the Company and transferred to CNI as part payment for the coal lands purchased (see "The Property" on page 7), and the subscription for equity referred to in "Capital Expenditure Program" commencing on page 9. After this financing, Kaiser Steel will own 75% of the Company's issued and outstanding common shares.

## Management

### *Directors and Officers*

| Name and Address | Office | Principal Occupation |
|---|---|---|
| JACK LANE ASHBY,<br>1000 Mason Street,<br>San Francisco, California. | Chairman of the Board and Director | Vice-Chairman of the Board,<br>Kaiser Steel Corporation |
| EUGENE EDGAR TREFETHEN, JR.,<br>5 Sandringham Road,<br>Piedmont, California. | Vice-Chairman of the Board and Director | President,<br>Kaiser Industries Corporation |
| JACK JAY CARLSON,<br>87 Seaview Avenue,<br>Piedmont, California. | President and Director | President,<br>Kaiser Steel Corporation |
| ROBERT GROTNESS HEERS,<br>4606 Oakhill Road,<br>Oakland, California. | Vice-President and Director | Vice-President, Mining and Raw Materials<br>Kaiser Steel Corporation |
| CHALMERS ACHESON MACILVAINE,<br>408 Blair Avenue,<br>Piedmont, California. | Vice-President, Treasurer, Assistant Secretary and Director | Vice-President and Treasurer,<br>Kaiser Steel Corporation |
| CHARLES FREDERICK BORDEN,<br>544 Miner Road,<br>Orinda, California. | Director | Senior Vice-President,<br>Kaiser Industries Corporation |
| CLAUDIUS LEE EMERSON,<br>53 Lakeview Avenue,<br>Piedmont, California. | Director | Executive Vice-President, Commercial<br>Kaiser Steel Corporation |
| EDGAR FOSBURGH KAISER,<br>3100 Andreason Drive,<br>Lafayette, California. | Director | Chairman of the Board,<br>Kaiser Industries Corporation |
| WILLIAM PHILLIP BRUNSON MARKS,<br>215 LaSalle Avenue,<br>Piedmont, California. | Director | Vice-President and Secretary,<br>Kaiser Industries Corporation |
| IAN NICHOLSON MCKINNON,<br>Devonshire House, Rideau Towers,<br>Calgary 6, Alberta. | Director | Consultant |
| EDWARD DAVID HOOPER WILKINSON,<br>6676 Marguerite Street,<br>Vancouver 14, British Columbia. | Director | Partner, Russell & DuMoulin, Barristers and Solicitors |
| HON. ROBERT HENRY WINTERS,<br>431 Russell Hill Road,<br>Toronto, Ontario. | Director | President,<br>Brascan Limited |
| *GERARD EARL BALSLEY,<br>P.O. Box 98,<br>Fernie, British Columbia. | Vice-President and General Manager | Executive of the Company |

| | | |
|---|---|---|
| DAVID JOHN HARDY,<br>2935 Pacific Avenue,<br>San Francisco, California. | Vice-President and Secretary | Vice-President and Counsel<br>Kaiser Steel Corporation |
| ALBERT PURNELL HEINER,<br>11980 Skyline Boulevard,<br>Oakland, California. | Vice-President | Vice-President, Marketing and Public Affairs<br>Kaiser Steel Corporation |
| JOHN ROBERT WALKER, JR.,<br>157 Wildwood Gardens,<br>Piedmont, California. | Vice-President and Assistant Secretary | Vice-President, Administration<br>Kaiser Steel Corporation |
| WILLIAM STANLEY BARNUM,<br>2 El Caminito,<br>Orinda, California. | Assistant Treasurer | Assistant Treasurer,<br>Kaiser Steel Corporation |
| *DAVID LEE TYLER,<br>P.O. Box 1053,<br>Fernie, British Columbia. | Controller and Assistant Secretary | Executive of the Company |
| *EDWARD GEORGE STAFFORD,<br>P.O. Box 404,<br>Fernie, British Columbia. | Assistant Secretary | Executive of the Company |

*Full-time employees of the Company.

All of the directors and officers of the Company, with the exception of Ian N. McKinnon, The Honorable Robert H. Winters and David L. Tyler, have held their present positions or other positions with the same firms or associated firms for the past five years. Mr. McKinnon was Chairman of the National Energy Board from 1959 until his retirement in 1969. Mr Winters has been President of Brascan Limited since June, 1968. From November, 1965 to June, 1968 he was a Member of the Parliament of Canada and Minister of Trade and Commerce in the Canadian Cabinet. Prior to that time he was Chairman of the Board and President of Rio Algom Mines Limited. Mr Tyler has been Controller of the Company since May, 1968 and prior to that time from 1963 was employed by Touche, Ross, Bailey & Smart, San Francisco, California.

***Remuneration***

The aggregate direct remuneration paid by the Company to the directors and senior officers as a group from the commencement of operations, February 29, 1968 to December 31, 1968, was $126,330, and for the four months ended April 30, 1969, was $46,492. The estimated cost to the Company of all pension benefits for the year ended December, 31, 1968 was $13,995.

## Material Contracts

In addition to contracts entered into in the normal course of business, the Company has entered into the following contracts since its incorporation:

1. The agreement dated February 24, 1968, between the Company, Kaiser Steel and CNI, referred to on page 7.

2. An agreement dated February 28, 1968, between CNI and the Company whereby the Company has an option to purchase certain additional coal properties from CNI.

3. The agreement dated February 29, 1968, between the Company and CNI relating to the production payment referred to on page 7.

4. The sales contracts between the Company and Mitsubishi referred to on page 11.

5. The agreements dated October 14, 1968 and June 10, 1969, between the Company and Canadian Pacific Railway Company referred to on page 8.

6. An agreement dated February 1, 1968, between the Company, Kaiser Steel and three Canadian chartered banks providing for a loan to the Company by the said banks of an aggregate of $35,000,000 and further commitments dated May 14, 1969 to the Company from such banks providing for new term loans aggregating $35 million and a standby credit of $15 million as referred to on page 10.

7. The lease dated April 30, 1969 between National Harbours Board, Terminals and the Company, as guarantor, referred to on page 9.

8. The underwriting agreement dated June 27, 1969 between the Company and the Underwriters referred to on page 18.

9. Agreement between the Company and Mitsui Mining Company, Limited dated November 20, 1968, amended by letter dated January 17, 1969 providing for the conduct of a feasibility programme relating to an underground hydraulic mining exploration at the Company's property.

10. The agreement dated June 10, 1969 between the Company, Kaiser Steel and Terminals referred to on page 9.

Copies of the foregoing contracts may be inspected at the 17th Floor, 1075 West Georgia Street, Vancouver, British Columbia during ordinary business hours during the course of primary distribution of the shares offered hereby and for a period of 30 days thereafter.

The Company has entered into and will enter into numerous contracts for the purchase or acquisition of equipment in connection with the construction of the Mine. Such additional contracts have been and will be entered into on the general credit of the Company and none of such contracts is considered to be material.

## Kaiser Resources Ltd.
## and Subsidiaries

### Consolidated Balance Sheet
### April 30, 1969

#### Assets

| | |
|---|---|
| **CURRENT:** | |
| Cash | $ 1,875,045 |
| Accounts receivable | 1,406,278 |
| Inventories (Note 2) | 993,121 |
| Prepaid expenses | 172,807 |
| | 4,447,251 |
| **DEFERRED CHARGES (Note 3):** | |
| Overburden removal, exploration and development costs | 4,028,412 |
| **PROPERTY, PLANT AND EQUIPMENT, AT COST:** | |
| Land and land improvements | 15,978,693 |
| Machinery and equipment | 1,825,719 |
| Construction in progress: | |
| Mine facilities | 35,336,214 |
| Bulk handling facilities | 2,117,347 |
| | 55,257,973 |
| Less: Accumulated depreciation and depletion (Note 4) | 761,792 |
| | 54,496,181 |
| | $62,971,844 |

#### Liabilities and Shareholders' Equity

| | |
|---|---|
| **CURRENT:** | |
| Accounts payable and accrued liabilities | $ 2,608,175 |
| Accounts payable on construction in progress | 4,731,656 |
| Advances from Kaiser Steel Corporation | 2,519,725 |
| Instalments due within one year on long-term debt | 282,416 |
| | 10,141,972 |
| **LONG-TERM DEBT (Note 5)** | 10,321,673 |
| **DEFERRED TAXES ON INCOME** | 257,100 |
| **SHAREHOLDERS' EQUITY:** | |
| Capital stock (Note 7) | |
| Authorized—15,000,000 shares of par value $1 each | |
| Issued and fully paid—7,500,000 shares | 7,500,000 |
| Contributed surplus | 34,500,000 |
| | 42,000,000 |
| Retained earnings (Note 8) | 251,099 |
| | 42,251,099 |
| Commitments and contingencies (Note 9) | |
| | $62,971,844 |

On behalf of the Board:

(Signed) C. A. MACILVAINE, Director (Signed) R. G. HEERS, Director

*The accompanying explanatory notes are an integral part of these financial statements.*

## Kaiser Resources Ltd.
## and Subsidiaries

### Consolidated Statement of Net Earnings and Retained Earnings

### For the Periods from Commencement of Operations February 29, 1968 to December 31, 1968 and the Four Months ended April 30, 1969

| | Periods | |
|---|---|---|
| | February 29 to December 31, 1968 | Four Months Ended April 30, 1969 |
| Sales | $9,771,279 | $3,091,841 |
| Other revenue | 54,226 | 8,408 |
| | $9,825,505 | $3,100,249 |
| COSTS AND EXPENSES: | | |
| Cost of products sold | $7,285,894 | $2,362,690 |
| Overburden removal (Note 3) | 687,530 | 339,443 |
| Exploration and development (Note 3) | 277,633 | 87,560 |
| Selling, administrative and general | 402,073 | 315,037 |
| Depreciation and depletion (Note 4) | 492,180 | 136,263 |
| Interest on long-term debt | 23,378 | 7,874 |
| Deferred taxes on income | 331,500 | (74,400) |
| | $9,500,188 | $3,174,467 |
| Net earnings (loss) for the period | $ 325,317 | $ (74,218) |
| Retained earnings at beginning of the period | — | $ 325,317 |
| Retained earnings at end of the period | $ 325,317 | $ 251,099 |

## Kaiser Resources Ltd.
## and Subsidiaries

### Consolidated Statement of Contributed Surplus

### For the Periods from Commencement of Operations February 29, 1968 to December 31, 1968 and the Four Months ended April 30, 1969

| | Periods | |
|---|---|---|
| | February 29 to December 31, 1968 | Four Months Ended April 30, 1969 |
| Balance at beginning of period | — | $24,070,375 |
| Excess of valuation placed on 351,351 common shares of Kaiser Steel Corporation acquired, over par value of 1,000,000 shares issued in exchange therefor | $16,400,761 | |
| Premium received in respect of the issuance of 6,490,000 shares in 1969: | | |
| Amount received in 1968 | 7,669,614 | |
| Amount received in 1969 | | 10,429,625 |
| Balance at end of period | $24,070,375 | $34,500,000 |

*The accompanying explanatory notes are an integral part of these financial statements.*

## Kaiser Resources Ltd.
## and Subsidiaries

## Notes to Consolidated Financial Statements
## April 30, 1969

1. Consolidated Financial Statements:

The accompanying financial statements consolidate the accounts of the Company and its wholly-owned subsidiaries, Balmer Mine Limited and Westshore Terminals Ltd.

Where applicable, current assets and current liabilities have been converted from U.S. dollars at the rate of exchange prevailing at April 30, 1969. The portion of long term debt repayable in U.S. dollars was converted at the rate prevailing at the time the indebtedness was incurred (see Note 5).

Kaiser Resources Ltd. was incorporated under the name of Kaiser Coal Ltd. on July 31, 1967. On April 10, 1969 the name of the Company was changed to Kaiser Resources Ltd. By Agreements dated May 8, 1967, January 11, 1968, February 24, 1968 and February 29, 1968, the Company acquired on February 29, 1968 coal properties and assets from Crows Nest Industries Limited and all the outstanding shares of Balmer Mine Limited for the following considerations:

(a) 351,351 common shares of Kaiser Steel Corporation after giving effect to the 3-for-2 stock split in March, 1968;

(b) $3,094,206 payable in ten semi-annual payments of $309,421 commencing on August 1, 1968, less dividends paid during each semi-annual period on the 351,351 shares, up to and including the payment on February 1, 1973; and

(c) an undivided interest in all coal mined after January 1, 1977 consisting of a production payment of 50¢ per ton to a maximum of $34,000,000.

2. Inventories:

Inventories at April 30, 1969 are stated at the lower of average cost or market and are summarized as follows:

| | |
|---|---|
| Finished and semi-finished products | $391,710 |
| Raw materials | 98,340 |
| Operating supplies | 503,071 |
| | $993,121 |

3. Deferred Charges:

The deferred charges account includes:

(a) Preproduction and development costs of $733,339 relating to Balmer Mine Limited, which are being amortized on a straight line basis over five years.

(b) Overburden removal costs of $592,147 relating to small existing open-cut mining operations, which are being charged to expense on a unit of production basis.

(c) Exploration and development costs of $2,702,926 relating to the Harmer Ridge development, which will be amortized on a straight line basis when the mine is brought into commercial production.

4. Depreciation and Depletion:

Depreciation is based on the estimated useful life of the assets and expensed on a straightline basis.

Depletion is taken at a rate of 10c per ton of raw coal mined.

5. Long-term Debt:

| | Amount Outstanding at April 30, 1969 — Classified As | |
|---|---|---|
| | Current | Long-Term |
| 5⅞% Coal Production Assistance Act loan (a) | $233,333 | $ 174,424 |
| Crows Nest Industries Limited (b) | 49,083 | 147,249 |
| Term bank loan (c) | — | 10,000,000 |
| | $282,416 | $10,321,673 |

(a) Semi-annual principal payments, the greater of $116,666 or 30¢ per ton of coal produced, are due June 30 and December 31.

(b) The semi-annual payment of $309,421, less indicated dividends at a rate of US 75¢ per share semi-annually on Kaiser Steel Corporation's shares are due February 1 and August 1. (see Note 1 (b))

(c) A bank credit agreement dated February 1, 1968 established lines of credit at a maximum of $35 million with payments commencing July 1, 1970 and full repayment by April 1, 1975. Subsequent to April 30, 1969, the Company received commitments to replace the agreement of February 1, 1968, to make available term loans aggregating $35 million. These loans are to be repaid in 25 equal quarterly instalments commencing July 1, 1971. In addition, a $15 million standby credit has been negotiated with the same banks which will be available commencing in 1970. The commitments for the new bank credit agreements permit the payment of dividends provided the loans are not in default and the Company maintains working capital satisfactory to the Banks.

6. Income Taxes:
Under the provisions of the Income Tax Act (Canada) the Company will be exempt from federal income taxes for a three year period from commencement of commercial production in 1970 on all income derived from the sale of coal mined from Harmer Ridge.

7. Capital Stock:
By special resolution dated February 8, 1968, the authorized capital was increased from 10,000 common shares with a par value of $1 each to 2,000,000 common shares with a par value of $1 each. On April 10, 1969, the capital of the Company was increased to 15,000,000 common shares with a par value of $1 each.

Since incorporation on July 31, 1967, 7,500,000 common shares have been issued for the following consideration:

(a) 6,500,000 issued for $24,599,239 cash.

(b) 1,000,000 issued in exchange for 351,351 common shares of Kaiser Steel Corporation.

8. Restrictions on Payment of Dividends:
Under the bank credit agreement dated February 1, 1968, the Company is prohibited from the payment of any dividends while advances under the line of credit are outstanding. (See Note 5 (c) ).

9. Commitments and Contingencies:

(a) Capital construction commitments not reflected in the financial statements totalled approximately $22,800,000 for mine facilities and $4,100,000 for bulk handling facilities.

(b) The Company has contracted to sell 57,960,000 short tons of coking coal to Japan over a period of 15 years commencing in 1970.

(c) The Company is contingently liable under the purchase agreement with Crows Nest Industries Limited to the extent the annual dividend on Kaiser Steel Corporation common stock is less than $1.50 US per share. The maximum liability under this contingency is $2,108,000.

(d) The Company through its wholly-owned subsidiary Westshore Terminals Ltd. has entered into a lease with the National Harbours Board terminating March 31, 1985, with two 15-year renewal options, for the lease of land at Roberts Bank. Annual payments under the lease cannot be determined until the development is complete. The Company presently estimates annual payments at approximately $325,000.

10. Remuneration of Directors and Senior Officers:
The aggregate direct remuneration paid by the Company to the directors and senior officers as a group for the period from commencement of operations February 29, 1968 to December 31, 1968, was $126,330, and for the four months ended April 30, 1969, was $46,492.

11. Subsequent Events:
Pursuant to an underwriting agreement dated June 27, 1969, the Company has agreed to sell 2,500,000 common shares with a par value of $1 each for a cash consideration of $28,000,000.

## Auditors' Report

To the Directors,
Kaiser Resources Ltd.

We have examined the consolidated balance sheet of Kaiser Resources Ltd. and Subsidiaries as at April 30, 1969 and the related consolidated statements of net earnings and retained earnings and contributed surplus for the periods from commencement of operations February 29, 1968 to December 31, 1968 and the four months ended April 30, 1969. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated financial statements present fairly the consolidated financial position of Kaiser Resources Ltd. and Subsidiaries as at April 30, 1969 and the results of its operations for the periods covered, in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods.

May 9, 1969. (except as to Note 11 as to subsequent events, which is dated as of June 27, 1969.)

(Signed) Touche, Ross, Bailey & Smart
Chartered Accountants.

## Kaiser Steel Corporation and Subsidiaries

## Consolidated Balance Sheets (expressed in U.S. dollars)

### Assets

| | December 31 1968 | December 31 1967 |
|---|---|---|
| **Current Assets:** | | |
| Cash | $ 13,661,868 | $ 17,029,112 |
| Trade accounts receivable | 28,468,933 | 33,103,001 |
| Inventories (Note B) | 84,158,467 | 65,287,770 |
| Prepaid taxes, insurance, and other expenses | 14,464,644 | 6,432,955 |
| TOTAL CURRENT ASSETS | $140,753,912 | $121,852,838 |
| **Investments and Other Assets:** | | |
| Investment in Hamersley Holdings Limited (Note C) | $ 33,363,095 | $ 26,250,837 |
| Investments in affiliated companies—at cost | 2,356,008 | 2,244,379 |
| Other accounts and investments | 10,736,962 | 7,691,819 |
| TOTAL INVESTMENTS AND OTHER ASSETS | $ 46,456,065 | $ 36,187,035 |
| **Property, Plant, and Equipment**—at cost, less accumulated depreciation and depletion: | | |
| Land | $ 30,208,021 | $ 14,995,746 |
| Buildings and land improvements | 282,006,725 | 277,737,805 |
| Machinery and equipment | 426,612,369 | 413,398,785 |
| Construction in progress | 29,873,360 | 7,563,987 |
| | $768,700,475 | $713,696,323 |
| Less accumulated depreciation and depletion | 387,364,755 | 352,590,129 |
| TOTAL PROPERTY, PLANT, AND EQUIPMENT | $381,335,720 | $361,106,194 |
| | $568,545,697 | $519,146,067 |

### Liabilities and Stockholders' Equity

| | December 31 1968 | December 31 1967 |
|---|---|---|
| **Current Liabilities:** | | |
| Trade accounts payable | $ 17,341,670 | $ 13,384,538 |
| Employment costs and amounts withheld from employees | 23,577,663 | 14,653,219 |
| Interest | 1,715,073 | 1,890,678 |
| Other accrued liabilities | 9,892,971 | 9,372,970 |
| Income taxes (Note G) | 14,703,388 | 9,838,617 |
| Installments due within one year on long-term debt | 16,814,747 | 22,248,000 |
| TOTAL CURRENT LIABILITIES | $ 84,045,512 | $ 71,388,022 |
| **Long-Term Debt** (Note D) | 188,981,104 | 209,074,857 |
| **Deferred Income Taxes** | 39,751,390 | 34,530,942 |
| **Lease Commitment** (Note I): | | |
| **Stockholders' Equity** (Note E): | | |
| $1.46 Preferred Stock, cumulative, stated value $25.00 a share: | | |
| Authorized, issued and outstanding 1,084,957 and 1,128,138 shares | $ 27,123,925 | $ 28,203,450 |
| Common Stock, par value 66⅔¢ a share: | | |
| Authorized 15,000,000 shares; issued and outstanding 6,692,777 and 6,032,466 shares | 4,461,851 | 4,021,644 |
| Additional paid-in capital | 50,094,972 | 23,587,385 |
| Retained earnings (Notes C and F) | 174,086,943 | 148,339,767 |
| TOTAL STOCKHOLDERS' EQUITY | $255,767,691 | $204,152,246 |
| | $568,545,697 | $519,146,067 |

On behalf of the board:

(Signed) William Marks, Director

(Signed) Jack J. Carlson, Director

*See notes to financial statements.*

## Kaiser Steel Corporation and Subsidiaries

### (expressed in U.S. dollars)

| | Year Ended December 31 1968 | 1967 |
|---|---|---|
| **Consolidated Statements of Net Earnings:** | | |
| Net sales | $426,863,218 | $401,094,232 |
| Other revenue | 900,450 | 1,273,956 |
| | $427,763,668 | $402,368,188 |
| Costs and expenses: | | |
| Cost of products sold | $303,510,237 | $286,612,903 |
| Selling, administrative, and general expenses | 30,822,065 | 24,579,441 |
| Depreciation and depletion (straight-line method) | 36,228,154 | 34,781,170 |
| Interest on long-term debt | 11,450,252 | 13,712,579 |
| Income taxes, including deferred taxes of $279,000 and $850,000 (Note G) | 17,042,169 | 11,963,200 |
| | $399,052,877 | $371,649,293 |
| Earnings before equity in Hamersley earnings | $ 28,710,791 | $ 30,718,895 |
| Equity in earnings of Hamersley Holdings Limited less deferred taxes of $1,887,000 and $1,257,000 (Note C) | 5,225,000 | 2,500,000 |
| Net Earnings | $ 33,935,791 | $ 33,218,895 |
| Earnings per share of Common Stock (based on average shares outstanding) | $4.95 | $5.67 |
| Pro forma earnings per share of Common Stock (assuming full conversion of convertible notes and exercise of stock options) | $4.68 | |
| **Consolidated Statements of Retained Earnings:** | | |
| Balance at beginning of year as reported | | $124,857,012 |
| Adjustment arising from tax settlement (Note G) | | 3,800,000 |
| Balance at beginning of year as adjusted | $148,339,767 | $121,057,012 |
| Net earnings for the year | 33,935,791 | 33,218,895 |
| | $182,275,558 | $154,275,907 |
| Cash dividends paid: | | |
| On $1.46 Preferred Stock | $ 1,612,656 | $ 1,672,173 |
| On 5¾% Preference Stock | — | 570,256 |
| On Common Stock ($1.00 and 67c a share) | 6,575,959 | 3,693,711 |
| | $ 8,188,615 | $ 5,936,140 |
| Balance at end of year | $174,086,943 | $148,339,767 |
| **Consolidated Statements of Additional Paid-in Capital:** | | |
| Balance at beginning of year | $ 23,587,385 | $ 2,623,625 |
| Excess of stated value ($25.00 a share) over purchase price of 43,181 and 43,247 shares of $1.46 Preferred Stock retired through operation of Purchase Fund, less related expenses | 86,958 | 94,005 |
| Excess of option price over par value of Common Stock sold under stock option plans (35,581 and 75,330 shares) | 588,843 | 1,176,860 |
| Excess of par value of Preference Stock over par value of 900,000 shares of Common Stock issued on conversion | — | 19,400,000 |
| Excess of $4,220,000 and $300,000 of Convertible Promissory Notes over par value of 145,379 and 10,500 shares of Common Stock issued on conversion | 4,122,803 | 292,895 |
| Excess of fair value over par value of 479,351 shares of Common Stock issued in acquisitions (Note A) | 21,708,983 | — |
| Balance at end of year | $ 50,094,972 | $ 23,587,385 |

*See notes to financial statements.*

## Kaiser Steel Corporation and Subsidiaries

## Notes to Financial Statements

## Year ended December 31, 1968

### Statements of Changes in Working Capital

| | Year Ended December 31 1968 | 1967 |
|---|---|---|
| Source of working capital: | | |
| Net earnings (excluding Hamersley) | $28,710,791 | $30,718,895 |
| Depreciation and depletion | 36,228,154 | 34,781,170 |
| Deferred income taxes | 279,000 | 850,000 |
| | $65,217,945 | $66,350,065 |
| Working Capital obtained in acquisitions | 4,749,789 | — |
| Other | 5,483,998 | 4,032,871 |
| | $75,451,732 | $70,382,936 |
| Disposition of working capital: | | |
| Additions to plant and equipment | $38,433,535 | $19,158,949 |
| Reduction in long-term debt | 16,810,477 | 36,810,614 |
| Investment in Hamersley | — | 2,449,262 |
| Cash dividends | 8,188,615 | 5,936,140 |
| Preferred Stock retirements | 992,567 | 987,170 |
| Other | 4,782,954 | 3,098,889 |
| | $69,208,148 | $68,441,024 |
| INCREASE IN WORKING CAPITAL | $ 6,243,584 | $ 1,941,912 |

### Note A—Consolidated Financial Statements

The accompanying financial statements consolidate the accounts of the Corporation and its subsidiaries, all of which are wholly owned.

In February 1968, the Corporation acquired, through its Canadian subsidiary, coking coal properties in British Columbia in exchange for 351,351 shares (post-split) of its Common Stock. In July 1968, the Corporation issued 128,000 shares of its Common Stock to acquire the remaining outstanding shares of a steel drum manufacturing company. Both of these acquisitions have been accounted for as purchases, and the related earnings have been included in consolidated earnings from the dates of acquisition.

### Note B—Inventories

Inventories at December 31, 1968, are stated at the lower of cost or market and are summarized as follows:

| | |
|---|---|
| Cost by first-in, first-out method: | |
| Finished and semi-finished products (less $2,580,000 of progress billings) | $52,925,761 |
| Raw materials | 19,761,638 |
| Operating supplies (less valuation allowance of $7,370,000) | 20,656,732 |
| | $93,344,131 |
| Adjustment to reduce finished and semi-finished products and raw materials to cost by last-in, first-out method | 9,185,664 |
| | $84,158,467 |

### Note C—Investment in Hamersley Holdings

The Corporation owns 36% of the capital stock of Hamersley Holdings Limited, an Australian corporation. Another corporation owns 54%, and the Australian public holds the remainder.

Hamersley Holdings' wholly owned subsidiary, Hamersley Iron Pty. Limited, holds long-term mining leases on substantial iron ore deposits in northwestern Australia, and also holds firm contracts for sale of iron ore and pellets to Japanese steel companies, with deliveries scheduled over 14 years from 1967. Mining and shipping operations commenced in 1966.

The Corporation carries its investment in Hamersley at cost plus equity in undistributed earnings. The equity in these earnings is recorded based upon the audited consolidated financial statements of Hamersley Holdings and its subsidiaries, reduced by estimated taxes payable upon distribution of such earnings. The composition of the Corporation's investment at December 31, 1968 is as follows:

| | |
|---|---|
| Cost | $22,244,895 |
| Equity in undistributed earnings | 11,118,200 |
| | $33,363,095 |

The equity in undistributed earnings, less deferred taxes of $3,268,200, is included in retained earnings.

Significant consolidated financial data of Hamersley Holdings and its subsidiaries as of December 31, 1968, and for the year then ended, follows:

| | |
|---|---|
| Plant and equipment—net | $250,890,000 |
| Notes payable to banks | 144,996,000 |
| Stockholders' equity | 109,410,000 |
| Revenues | 84,212,000 |
| Net earnings | 19,756,000 |

The notes payable to banks are subject to the terms of credit agreements which provide for fixed maturities of $17,440,000 a year plus an additional payment of $30,000,000 in 1971. All the capital stock of Hamersley Iron is pledged under the credit agreements and Hamersley Iron is restricted from paying any dividends until 1970.

Note D—Long-Term Debt

| | Amount Outstanding at December 31, 1968 Classified as | |
|---|---|---|
| First Mortgage Bonds (1) | Current | Long-Term |
| 3¾%, due 1970 | $ 2,850,000 | $ 21,000,000 |
| 4¾%, due 1970 | 2,200,000 | 3,300,000 |
| 4¾%, due 1973 | 500,000 | 2,500,000 |
| 4¾%, due 1976 | 3,500,000 | 35,000,000 |
| 5½%, due 1977 | 2,000,000 | 22,000,000 |
| 5⅜%, due 1982 | — | 15,000,000 |
| 5½%, due 1984 | — | 70,000,000 |
| | $11,050,000 | $168,800,000 |
| 5⅞% Promissory Notes, due 1981 | 1,200,000 | 1,990,000 |
| 5⅞% Convertible Promissory Notes due 1982 (2) | — | 1,330,000 |
| 5¾% Subordinated Convertible Promissory Notes, due 1985 (3) | — | 9,150,000 |
| Advances under iron ore pellet contract (6½%) | 4,000,000 | 6,565,206 |
| Other long-term obligations | 564,747 | 1,145,898 |
| | $16,814,747 | $188,981,104 |

(1) Annual sinking fund payments on the bonds remain at $11,050,000 through 1969 and increase to $30,300,000 for 1970 and $11,400,000 for 1971 and 1972.

(2) The designated notes are convertible, at the option of the holders, into common stock at a price of $28.51 a share.

(3) No payments may be made on the principal of the Subordinated Notes while any indebtedness for the Bonds, Notes, or similar obligations hereafter incurred, remains outstanding. The notes are convertible at any time prior to maturity, at the option of the holder, into common stock at a price of $31.27 a share.

(4) The Corporation's Bank Credit Agreement provides for revolving loans up to $50,000,000 which may be converted prior to June 30, 1970 into a five-year term loan. Other credit agreements provide for term loans of up to $57,375,000 to be used for the development of coal properties in Canada. As of December 31, 1968, no loans were outstanding under these agreements.

(5) The Corporation is required under financing agreements to maintain net current assets, as defined, of $45,000,000.

Note E—Capital Stock

Fifty-nine per cent of the Corporation's outstanding Common Stock is owned by Kaiser Industries Corporation.

In March 1968 the Corporation changed the par value from $1.00 to 66⅔¢ a share and split its Common Stock by issuing three shares for each two shares previously outstanding.

Unissued shares of Common Stock were reserved for the following purposes at December 31, 1968:

| | Shares |
|---|---|
| Conversion of Unsecured Notes (Note D) | 339,263 |
| Issuance under Restricted and Qualified Stock Option Plans | 395,855 |
| | 735,118 |

Information with respect to options exercised during the year and outstanding at the end of the year follows:

| | Number of Shares | | |
|---|---|---|---|
| Grant Dates | Options Exercised | Options Outstanding | Option Price |
| August 7, 1958 | 1,275 | — | $27.67 |
| April 5, 1960 | 1,500 | 4,125 | 27.67 |
| December 14, 1961 | 150 | 10,350 | 24.50 |
| January 10, 1963 | 2,775 | 1,800 | 11.33 |
| December 4, 1964 | 21,912 | 23,500 | 16.00 |
| November 23, 1966 | 7,969 | 56,080 | 18.83 |
| July 3, 1968 | — | 52,800 | 68.50 |

Option prices represent 95% of the quoted market prices of the stock at the grant dates for options granted prior to 1963 and 100% thereafter. Options granted in 1960, 1961 and 1963 are exercisable up to ten years after the grant dates. Options granted after 1963 are generally exercisable from one to five years after the grant date. Options for 95,855 shares were exercisable at December 31, 1968.

Subject to certain limitations, the Corporation is required under provisions of a noncumulative Purchase Fund to appropriate $500,000 semi-annually for the purchase of the $1.46 Preferred Stock at prices not to exceed $25.00 a share. In addition, at the option of the Corporation, the Preferred Stock may be redeemed, in whole or in part, at $25.00 a share.

Note F—Restrictions on Payment of Dividends

The Corporation's Bond Indenture and certain other financing agreements limit the sum of declarations or payments of cash dividends on Common Stock, purchases or redemption of capital stock, and investments in affiliated companies. On December 31, 1968, retained earnings of $8,007,386 were free from the most restrictive of these covenants. The restriction does not apply to purchases of Preferred Stock under the provisions of the Purchase Fund.

Note G—Federal Income Taxes

During 1968 an agreement was reached with the Internal Revenue Service on the amounts of percentage depletion allowable as deductions for the years 1951 through 1955. The excess of taxes assessed over amounts previously provided has been charged against retained earnings.

It is expected that the eventual settlement of percentage depletion deductions for years subsequent to 1955 will not materially exceed amounts already provided.

Federal income taxes have been provided on recorded income after giving effect to allowable percentage depletion and have been reduced by investment tax credits of $3,200,000 in 1968 and $5,700,000 in 1967.

Note H—Pension Plans

The contribution of the Corporation and its consolidated subsidiaries under various trusteed pension plans for union and salaried employees aggregated approximately $5,300,000 for 1968, including past service costs which are being funded over a maximum of 40 years. The Corporation's policy is to fund pension costs accrued. Pension funds exceed the actuarially computed value of vested benefits.

Note I—Lease Commitment

The Corporation owns 20% of the stock of Kaiser Center, Inc., and has leased approximately 20% of the office space in the Kaiser Center office building until 1990 at a minimum annual rental of approximately $700,000, plus a portion (based on leased space) of the expenses less income (as defined) of operating and maintaining the office building and related facilities. In 1968 the Corporation paid, under the Kaiser Center lease, total rentals in the amount of $1,180,000.

The Corporation also has a 20% interest in Kaiser Center Properties, a partnership formed in 1968 for the purpose of constructing an office building which is scheduled for completion in 1970. The Corporation has agreed to lease 20% of the office space in the new building for 30 years and plans to capitalize its basic lease obligation which will amount to approximately $8,000,000.

## Auditors' Report

San Francisco, California
January 27, 1969

Board of Directors and Stockholders,
Kaiser Steel Corporation,
Oakland, California

We have examined the accompanying consolidated balance sheet of Kaiser Steel Corporation and subsidiaries as of December 31, 1968, and the related consolidated statements of net earnings, retained earnings, additional paid-in capital, and changes in working capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Kaiser Steel Corporation and subsidiaries at December 31, 1968, and the consolidated results of their operations and the source and disposition of working capital for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

(Signed) Touche, Ross, Bailey & Smart
Certified Public Accountants.

Dated: June 27, 1969

## Certificates

***Company***

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of the Securities Act, 1967 (British Columbia) and the regulations thereunder, by Part 7 of The Securities Act, 1967 (Alberta) and the regulations thereunder, by Part VIII of The Securities Act, 1967 (Saskatchewan) and the regulations thereunder, by Part VII of the Securities Act, 1968 (Manitoba) and the regulations thereunder, by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder, under the Securities Act (Quebec) and by section 13 of the Securities Act (New Brunswick).

(Signed) J. J. CARLSON
Chief Executive Officer

(Signed) C. A. MACILVAINE
Chief Financial Officer

On behalf of the Board of Directors

(Signed) JACK L. ASHBY
Director

(Signed) R. G. HEERS
Director

Directors

| | | |
|---|---|---|
| (Signed) J. J. CARLSON | (Signed) E. E. TREFETHEN JR.* | (Signed) WILLIAM MARKS |
| | (Signed) I. N. MCKINNON* | |
| (Signed) JACK L. ASHBY | (Signed) E. D. H. WILKINSON* | (Signed) C. A. MACILVAINE |
| | (Signed) C. F. BORDEN* | (Signed) C. L. EMERSON |
| (Signed) R. G. HEERS | (Signed) EDGAR F. KAISER* | (Signed) ROBERT H. WINTERS |

*by his agent (Signed) C. A. MACILVAINE

***Promoter***

Kaiser Steel Corporation
by: (Signed) J. J. CARLSON
by: (Signed) J. R. WALKER

(corporate seal)

***Underwriters***

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of the Securities Act, 1967 (British Columbia) and the regulations thereunder, by Part 7 of The Securities Act, 1967 (Alberta) and the regulations thereunder, by Part VIII of The Securities Act, 1967 (Saskatchewan) and the regulations thereunder, by Part VII of the Securities Act, 1968 (Manitoba) and the regulations thereunder, by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder, under the Securities Act (Quebec) and by section 13 of the Securities Act (New Brunswick).

A. E. Ames & Co. Limited

by: (Signed) W. B. MACDONALD

| | | |
|---|---|---|
| The First Boston Corporation | Wood Gundy Securities Limited | Pemberton Securities Limited |
| by: (Signed) ROBERT B. CALHOUN | by: (Signed) P. J. CHADSEY | by: (Signed) JOHN A. BOYD |

The following includes the names of all persons having an interest directly or indirectly to the extent of not less than 5% in the capital of:

A. E. AMES & CO. LIMITED: J. O. Hughes, W. P. Spragge, W. B. Macdonald, W. J. Piper, J. M. Stewart, D. B. Shaw, R. N. Steiner and R. W. Warren.

THE FIRST BOSTON CORPORATION: The Sarah Mellon Scaife Foundation, The Richard Prosser Mellon Family Trust No. 1, The Seward Prosser Mellon Family Trust No. 1.

WOOD GUNDY SECURITIES LIMITED: C. L. Gundy, W. P. Wilder, J. N. Cole, E. S. Johnston, J. K. McCausland, P. J. Chadsey and J. R. LeMesurier.

PEMBERTON SECURITIES LIMITED: Wm. E. Thomson, J. G. Chaston, J. E. Smart, I. C. Danvers, R. F. Hassen, W. R. Wyman, A. G. Osburn, G. B. Anderson and W. C. Eilers.

14. FISCAL YEAR

The fiscal year of the Company ends on December 31st in each year.

15. ANNUAL MEETINGS

The Articles of Association of the Company provide that the annual meeting of shareholders of the Company shall be held once in every calendar year at such time and place as may be prescribed by the directors. The last annual meeting was held in Vancouver on June 20, 1969.

16. HEAD OFFICE

The registered office of the Company is located at the 17th Floor, 1075 West Georgia Street, Vancouver, British Columbia. The head office of the Company is located in Sparwood, British Columbia. The Company also has an office at 1535 Bentall Centre Two, 555 Burrard Street, Vancouver, British Columbia.

17. TRANSFER AGENT AND REGISTRAR

The Transfer Agent and Registrar for the common shares of the Company are respectively Canada Permanent Trust Company and National Trust Company, Limited at their principal offices in the Cities of Vancouver, Calgary, Winnipeg, Toronto and Montreal.

18. TRANSFER FEE

No fee is charged on the transfer of the common shares in the capital stock of the Company other than the customary government stock transfer taxes.

19. AUDITORS

The auditors of the Company are Touche, Ross, Bailey & Smart, Chartered Accountants, 1177 West Hastings Street, Vancouver, British Columbia.

20. OFFICERS AND DIRECTORS

The officers and directors of the Company are as follows:

| Name and Address | Office | Prncipal Occupation |
|---|---|---|
| Jack Lane Ashby<br>1000 Mason Street<br>San Francisco, California | Chairman of the Board and Director | Vice-Chairman of the Board, Kaiser Steel Corporation |
| Eugene Edgar Trefethen, Jr.<br>5 Sandringham Road<br>Piedmont, California | Vice-Chairman of the Board and Director | President, Kaiser Industries Corporation |
| Jack Jay Carlson<br>87 Seaview Avenue<br>Piedmont, California | President and Director | President, Kaiser Steel Corporation |
| Robert Grotness Heers<br>4606 Oakhill Road<br>Oakland, California | Vice-President and Director | Vice-President, Mining and Raw Materials, Kaiser Steel Corporation |
| Chalmers Acheson MacIlvaine<br>408 Blair Avenue<br>Piedmont, California | Vice-President, Treasurer, Assistant Secretary and Director | Vice-President and Treasurer, Kaiser Steel Corporation |
| Charles Frederick Borden<br>544 Miner Road<br>Orinda, California | Director | Senior Vice-President, Kaiser Industries Corporation |
| Claudius Lee Emerson<br>53 Lakeview Avenue<br>Piedmont, California | Director | Executive Vice-President, Commercial, Kaiser Steel Corporation |
| Edgar Fosburgh Kaiser<br>3100 Andreason Drive<br>Lafayette, California | Director | Chairman of the Board, Kaiser Industries Corporation |
| William Phillip Brunson Marks<br>215 LaSalle Avenue<br>Piedmont, California | Director | Vice-President and Secretary, Kaiser Industries Corporation |
| Ian Nicholson McKinnon<br>Devonshire House<br>Rideau Towers<br>Calgary 6, Alberta | Director | Consultant |
| Edward David Hooper Wilkinson<br>6676 Marguerite Street<br>Vancouver 14, British Columbia | Director | Partner, Russell & DuMoulin, Barristers and Solicitors |

| Name and Address | Office | Prncipal Occupation |
|---|---|---|
| Hon. Robert Henry Winters<br>431 Russell Hill Road<br>Toronto, Ontario | Director | President, Brascan Limited |
| Gerard Earl Balsley<br>P.O. Box 98<br>Fernie, British Columbia | Vice-President and<br>General Manager | Executive of the Company |
| David John Hardy<br>2935 Pacific Avenue<br>San Francisco, California | Vice-President and Secretary | Vice-President and Counsel,<br>Kaiser Steel Corporation |
| Albert Purnell Heiner<br>11980 Skyline Boulevard<br>Oakland, California | Vice-President | Vice-President, Marketing and<br>Public Affairs,<br>Kaiser Steel Corporation |
| John Robert Walker, Jr.<br>157 Wildwood Gardens<br>Piedmont, California | Vice-President and<br>Assistant Secretary | Vice-President, Administration,<br>Kaiser Steel Corporation |
| William Stanley Barnum<br>2 El Caminito<br>Orinda, California | Assistant Treasurer and<br>Assistant Secretary | Assistant Treasurer,<br>Kaiser Steel Corporation |
| Daivd Lee Tyler<br>P.O. Box 1053<br>Fernie, B.C. | Controller and<br>Assistant Secretary | Executive of the Company |
| Edward George Stafford<br>P.O. Box 404<br>Fernie, B.C. | Assistant Secretary | Executive of the Company |

All of the directors and officers of the Company, with the exception of Ian N. McKinnon, The Honourable Robert H. Winters and David L. Tyler, have held their present positions or other positions with the same firms or associated firms for the past five years. Mr. McKinnon was Chairman of the National Energy Board from 1959 until his retirement in 1969. Mr. Winters has been President of Brascan Limited since June, 1968. From November, 1965, to June, 1968, he was a Member of the Parliament of Canada and Minister of Trade and Commerce in the Canadian Cabinet. Prior to that time he was Chairman of the Board and President of Rio Algom Mines Limited. Mr. Tyler has been Controller of the Company since May, 1968, and prior to that time from 1963 was employed by Touche, Ross, Bailey & Smart, San Francisco, California.

## CERTIFICATE OF THE COMPANY

Pursuant to a resolution duly passed by its board of directors, the Company hereby applies for the listing of the above-mentioned shares on The Toronto Stock Exchange, and the undersigned officers of the Company hereby certify that the statements and representations made in this application and in the documents submitted in support thereof are true and correct.

KAISER RESOURCES LTD.

Corporate Seal

Per "JACK. J. CARLSON",
President

Per "D. J. HARDY",
Secretary

## CERTIFICATE OF THE UNDERWRITER

To the best of our knowledge, information and belief, all of the statements and representations made in this application and in the documents submitted in support thereof are true and correct.

A. E. AMES & CO. LIMITED

Per "W. B. MACDONALD"

## DISTRIBUTION OF COMMON STOCK AS OF AUGUST 8, 1969

| Number | | | Shares |
|---|---|---|---|
| 64 | Holders of | 1 — 24 share lots | 882 |
| 813 | " " | 25 — 99 " " | 39,165 |
| 1,467 | " " | 100 — 199 " " | 147.964 |
| 427 | " " | 200 — 299 " " | 86,951 |
| 150 | " " | 300 — 399 " " | 45,467 |
| 65 | " " | 400 — 499 " " | 26,125 |
| 184 | " " | 500 — 599 " " | 99,782 |
| 219 | " " | 1000 — up " " | 9,553,664 |
| 3,389 | Shareholders | Total shares | 10,000,000 |